REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2006

COMMERCIAL

GOVERNMENT OF KARNATAKA

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PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government companies,
(ii) Statutory corporations and
(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Karnataka under Section 19 A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Karnataka.

3. Audit of accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation, which are Statutory corporations, the Comptroller and Auditor General of India is the sole Auditor. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Karnataka State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panels of auditors approved by the Reserve Bank of India. In respect of Karnataka State Warehousing Corporation, CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with CAG. In respect of Karnataka Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2005-06 as well as those, which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2005-06 have also been included, wherever necessary.

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 82 Public Sector Undertakings (PSUs) comprising 76 Government companies (including 17 non-working companies) and six Statutory corporations as against same number of companies/corporations as on 31 March 2005. In addition, there were four deemed Government companies under Section 619 B of the Companies Act, 1956 as on 31 March 2006.

(Paragraphs 1.1 and 1.29)

The total investment in working PSUs increased from Rs. 37,680.84 crore as on 31 March 2005 to Rs. 41,202.28 crore as on 31 March 2006. The total investment in non-working PSUs increased from Rs.575.42 crore to Rs.576.51 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs.5,387.68 crore in 2004-05 to Rs.6,479.40 crore in 2005-06. The State Government also provided Rs.12.44 crore in the form of loans to a non-working company during 2005-06. The State Government guaranteed loans aggregating Rs.493.08 crore during 2005-06 to seven working Government companies. Guarantees amounting to Rs.6,623.68 crore against 18 working Government companies were outstanding as on 31 March 2006.

(Paragraphs 1.5 and 1.17)

Thirty eight out of 59 working Government companies and three of the six Statutory corporations finalised their accounts for the year 2005-06. The accounts of the remaining Government companies and Statutory corporations were in arrears for periods ranging from one to three years as on 30 September 2006. The accounts of six non-working Government companies were in arrears for periods ranging from one to three years as on 30 September 2006.

(Paragraphs 1.6 and 1.19)

According to latest finalised accounts, 37 working PSUs (33 Government companies and four Statutory corporations) earned aggregate profit of Rs.794.20 crore. Out of 38 working Government companies, which finalised their accounts for 2005-06 by September 2006, only seven companies declared dividend aggregating Rs.16.66 crore. Twenty working PSUs (18 Government companies and two Statutory corporations) incurred aggregate loss of Rs.204.03 crore as per their latest finalised accounts. Of the loss incurring PSUs, nine companies and two Statutory corporations had accumulated losses aggregating Rs.827.44 crore and Rs.371.42 crore respectively, which exceeded their aggregate paid up capital of Rs.550.80 crore and Rs.195.14 crore respectively.

(Paragraphs 1.7 to 1.11)

2. Performance reviews relating to Government companies

Performance reviews relating to renovation and modernisation works of hydel generating stations of **Visveswaraya Vidyuth Nigama Limited** and manufacture and distribution of energy food by **Karnataka State Agro-Corn Products Limited** and IT Audit of Information Technology System in the **Mysore Papers Mills Limited** were conducted and some of the main findings are as follows:

Renovation and modernisation works of hydel generating stations of Visveswaraya Vidyuth Nigama Limited.

Renovation and modernisation (R&M) of Mahatma Gandhi Hydro Electric Power Station (MGHE), Shivasamudram Generating Station and Munirabad Hydro Electric Station were taken up by the erstwhile Karnataka Electricity Board. The works were completed between October 2002 and October 2004. Some of the important points noticed in audit are as under:

- Renovation and modernisation works of Mahatma Gandhi Hydro Electric Station (MGHE) were undertaken without taking into account the cheaper cost of generation at Sharavathi Generating Station and the constraints in evacuation of power at the uprated capacity of 139.20 Mega Watt.

- Delay in providing winch and trolley to the contractors resulted in 23 months delay in start of work at Shivasamundram Generating Station and consequential loss of generation of 181 million units of power.

- Leakage of water from the sluice gates 9 and 10 of Tungabhadra Dam owing to lack of maintenance resulted in loss of generation of 14.4 million units per season (July to February) at Munirabad Hydro Electric Station.

(Chapter 2.1)

Manufacture and distribution of energy food by Karnataka State Agro-Corn Products Limited.

The Karnataka State Agro-Corn Products Limited was incorporated in April 1973. The Government of Karnataka with the assistance of United Nations Children's Fund introduced a scheme to provide low cost nutritionally balanced and acceptable formulated flours from indigenous raw materials of high nutritive value for distribution to children and lactating mothers. This supplementary nutritional programme is implemented under Integrated Child Development Scheme. The State Government funded the entire cost of the project and undertook to purchase the entire quantity of energy food from the Company for implementation of the programme. The Department of Women and Child Development was the indenter for the energy food. Some of the important points noticed in audit are as under:

- The actual production decreased drastically from 2003-04 onwards due to diversion of 50 *per cent* of the requirement of energy food to a private party by Department of Women and Child Development (DWCD). Failure to diversify its product range and the continued dependence on DWCD, which was diverting the orders to a private party, has affected the very existence of the Company.

- Non-following of the prescribed nutritional formula in the manufacture of energy food and using cheaper ingredients resulted in saving in cost but compromised the nutritional balance of energy food supplied to children and lactating mothers.

- The Quality control system prevalent in the Company was not effective as the quality tests in its laboratories were carried out by unqualified personnel.

(Chapter 2.2)

IT Review of Information Technology Systems – Application and General Controls in The Mysore Papers Mills Limited.

A review by Audit of the General IT Controls and application system prevailing in the Company dealing with Stores, Payroll and Main Accounts (Financial Accounts) revealed the following:

- Lack of key controls rendered the pay roll package vulnerable to risk of incorrect payments.

- Lack of key controls exposed the Main Accounts system to risk of incorrect and inaccurate reports being submitted for management decisions.

- A strong system of physical and logical access control did not exist in the company.

- There was no well developed business continuity plan to take care of IT assets in case of disasters.

(Chapter 2.3)

3. Performance reviews relating to Statutory corporations

Performance review relating to construction and operation of warehouses by the **Karnataka State Warehousing Corporation** and information technology

Audit of 'On-line system' of **Karnataka State Financial Corporation** were conducted and some of the main findings are as follows:

Construction and operation of warehouses by the Karnataka State Warehousing Corporation.

The Corporation established (November 1957) under Agricultural Products (Development and Warehousing) Corporation Act, 1956 started functioning in 1958. The Corporation is engaged in construction of godowns, storage of agricultural products, fertilizers, manures, cement etc., and also provide other related services to farmers, co-operatives and traders. The activities relating to construction and operation of warehouses and purchase of land by the Corporation were reviewed in audit. Some of the important points noticed in audit are as under:

- Land was purchased without cost-benefit analysis, flouting important parameters viz., accessibility of land etc. Land purchased at 41 locations at a cost of Rs.3.55 crore are lying vacant. The sub-committee formed to recommend on the suitability of land for construction of godown remained ineffective as it met only once and identified only six sites for purchase.

- There was delay in constructing godowns under 'State of Art' technology. The godown constructed under 'State of Art' technology utilized excess space of 11,767.66 square metre and also extra cost of Rs.7.67 crore was incurred when compared to creation of the same storage capacity under the conventional method.

- The Corporation incurred additional interest burden of Rs.4.12 crore by not availing loan available at cheaper rates and drawing instalment of loans without considering the progress of work.

(Chapter 3.1)

Information Technology Audit of 'On-line system' of Karnataka State Financial Corporation.

The Corporation has an 'On-line system' with 11 modules to facilitate its core activities. A review of the 'On-line system' revealed the following points:

- Not negotiating for the lowest rates quoted for individual items while purchasing hardware for implementation of the 'On-line systems' resulted in avoidable extra-expenditure of Rs.30.14 lakh.

- The application packages lacked many in-built controls and validations to safe guard against incorrect data entries and proper process of data making the information generated by the system not reliable in many areas.

- The Management has not formulated any policy regarding physical and logical security of IT assets including software and existing data. Insufficient security features in respect of access control, passwords and login control rendered the system vulnerable to unauthorised access and data manipulation.

(Chapter 3.2)

4. Transaction Audit Observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- There were twelve cases of losses amounting to Rs.39.27 crore on account of extra/avoidable/unproductive expenditure and idle investment.

(Paragraphs 4.1 to 4.3, 4.7, 4.9 to 4.11, 4.15, 4.17,4.18, 4.22.3 and 4.23)

- There were five cases of loss of revenue amounting to Rs.24.57 crore.

(Paragraphs 4.12, 4.13, 4.21, 4.22.3 and 4.22.6)

- There were ten cases of losses amounting to Rs.11.48 crore on account of undue favour to contractor, waiver of interest, violation of licence conditions and loss of interest due to improper tax planning etc.

(Paragraphs 4.4 to 4.6, 4.8, 4.14, 4.16, 4.19, 4.20, 4.22.7 and 4.22.8)

Gist of the important observations is given below:

Plantation of pines by **The Mysore Paper Mills Limited** without conducting proper feasibility rendered the investment of Rs.22.74 crore uneconomic.

(Paragraph 4.1)

Fixation of price of iron ore to be sold to a 'marketing agent' far below the reference price of MMTC Limited resulted in loss of Rs.22.35 crore to **Mysore Minerals Limited.**

(Paragraph 4.13)

Payment by **Cauvery Neeravari Nigam Limited** at rates higher than at the approved Schedule of Rates resulted in excess payment and extension of undue benefit of Rs.4.68 crore.

(Paragraph 4.14)

Failure of **Karnataka Power Corporation Limited** to evaluate the compatibility of the software with interface equipment resulted in idle investment of Rs.4.03 crore.

(Paragraph 4.15)

Production of spirit directly from sugarcane juice in violation of licence conditions resulted in loss of Rs.3.43 crore to **The Mysore Sugar Company Limited**.

(Paragraph 4.16)

Construction of staff quarters by **Karnataka State Warehousing Corporation** without creating other basic amenities resulted in blocking up of funds of Rs.3.15 crore and interest burden of Rs.88.30 lakh.

(Paragraph 4.23)

CHAPTER I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 76 Government companies (59 working companies and 17 non-working companies*) and six Statutory corporations (working) under the control of the State Government as against same number of companies/corporations as on 31 March 2005. One new company (Chamundeshwari Electricity Supply Corporation Limited) was formed during the year, one company (Karnataka Film Industries Development Corporation Limited) became a non-working company during the year and one non-working Company (Karnataka Tungsten Moly Limited) was dissolved during the year. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619(4) of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1	Karnataka State Road Transport Corporation (KSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
2	Bangalore Metropolitan Transport Corporation (BMTC)		
3	North Western Karnataka Road Transport Corporation (NWKRTC)		
4	North Eastern Karnataka Road Transport Corporation (NEKRTC)		
5	Karnataka State Financial Corporation (KSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and Supplementary Audit by the CAG
6	Karnataka State Warehousing Corporation (KSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and Supplementary Audit by the CAG

The State Government formed the Karnataka Electricity Regulatory Commission, whose audit is entrusted to the Comptroller and Auditor General of India (CAG) as per Item II (2) of Part I of the Schedule to Section 8(7) of the Karnataka Electricity Reform Act, 1999.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 65 working PSUs (59 Government companies and six Statutory corporations) was

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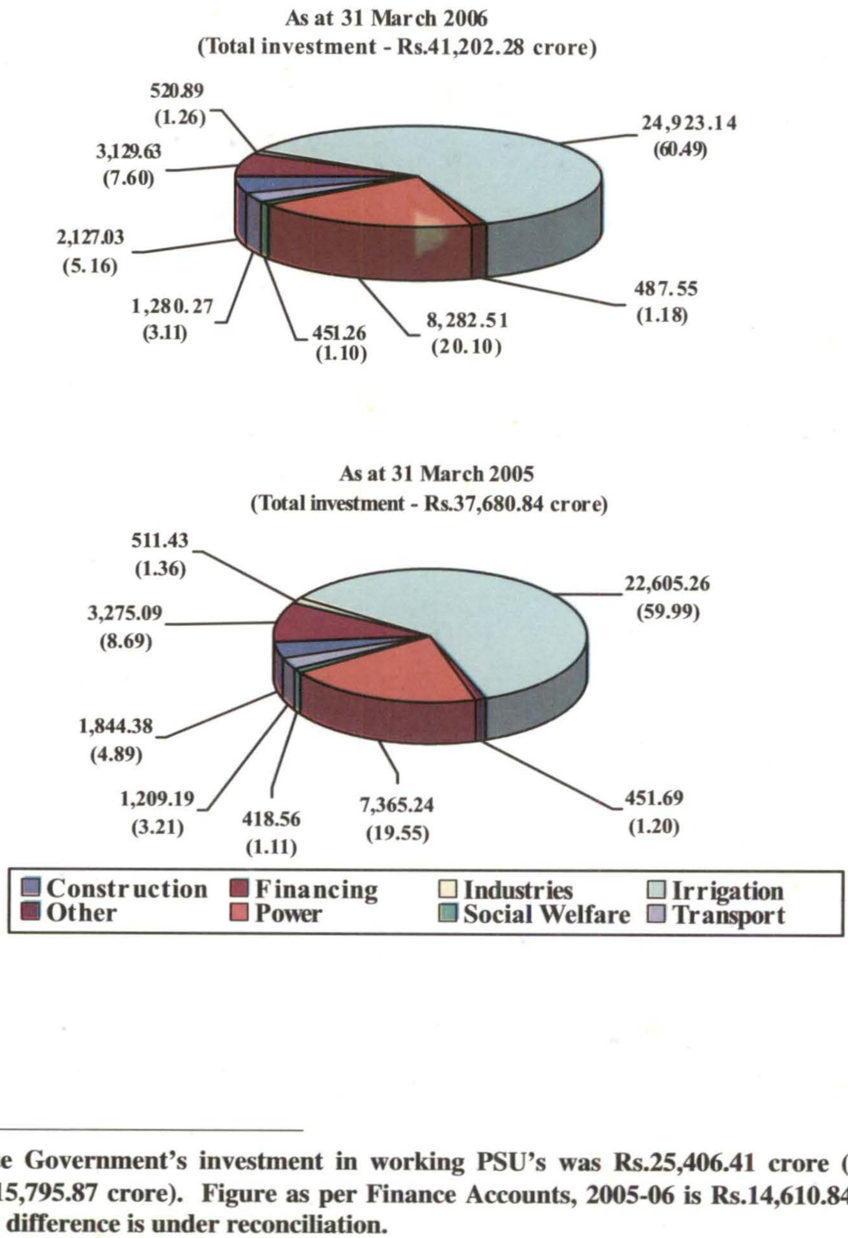
* **Non-working companies/corporations are those, which are under the process of liquidation/closure/merger, etc.**

Rs.41,202.28 crore[∇] (equity: Rs.13,753.79 crore; long-term loans[@]: Rs.22,309.64 crore and share application money Rs.5,138.85 crore) as against total investment of Rs.37,680.84 crore (equity: Rs.12,598.05 crore; long-term loans: Rs.22,072.72 crore and share application money Rs.3,010.07 crore) in 65 working PSUs (59 Government companies and six Statutory corporations) as on 31 March 2005. The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated below in the pie charts:

Sector-wise investment in working Government companies and Statutory corporations
(Figures in bracket are percentage)



[∇] **State Government's investment in working PSU's was Rs.25,406.41 crore (others: Rs.15,795.87 crore). Figure as per Finance Accounts, 2005-06 is Rs.14,610.84 crore. The difference is under reconciliation.**

[@] **Long term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.**

Working Government companies

1.3 Total investment in working Government companies at the end of March 2005 and March 2006 was as under:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2004-05	59	12,012.46	2,971.66	19,808.01	34,792.13
2005-06	59	13,103.21	5,100.29	19,948.10	38,151.60

As on 31 March 2006, the total investment in working Government companies comprised 47.71 *per cent* of equity capital and 52.29 *per cent* of loans as compared to 43.07 *per cent* and 56.93 *per cent* respectively as on 31 March 2005.

The summarised statement of Government investment in working Government companies in the form of equity and loans is given in **Annexure-1**.

Working Statutory corporations

1.4 The total investment in six working Statutory corporations at the end of March 2005 and March 2006 was as follows:

(Rupees in crore)

Name of the Corporation	2004-05		2005-06	
	Capital	Loan	Capital	Loan
Karnataka State Road Transport Corporation (KSRTC)	220.39	223.50	233.39	237.38
Bangalore Metropolitan Transport Corporation (BMTC)	64.72	28.93	92.72	26.42
North Western Karnataka Road Transport Corporation (NWKRTC)	102.63	122.97	115.64	172.86
North Eastern Karnataka Road Transport Corporation (NEKRTC)	92.50	32.77	103.50	61.33
Karnataka State Financial Corporation (KSFC)	97.85 (36.01)	1,814.98	97.84 (36.01)	1,825.79
Karnataka State Warehousing Corporation (KSWC)	7.50 (2.45)	41.56	7.50 (2.55)	37.75
Total	**585.59 (38.46)**	**2,264.71**	**650.59 (38.56)**	**2,361.53**

(Figures in bracket indicate share application money)

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is given in **Annexure -1**.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Annexures 1 and 3.**

The budgetary outgo in the form of equity, loans and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to March 2006 are summarised below:

(Amount: Rupees in crore)

	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	13	1,525.38	-	-	9	2,787.24	3	30.00	10	3,183.24	5	65.10
Loans given from budget	6	89.45	-	-	9	209.64	1	42.00	11	222.07	-	-
Grants	11	108.05	-	-	14	377.27	-	-	17	823.39	2	27.66
Subsidy towards (i)Projects/ Programme/ schemes	3	5.45	1	12.50	4	215.05	-	-	4	316.69	1	2.66
(ii)Other subsidy	9	1,893.67	4	29.11	5	1,585.00	5	141.48	8	1,714.69	4	123.90
Total subsidy	11	1,899.12	4	41.61	9	1,800.05	5	141.48	9	2,031.38	4	126.56
Total outgo*	**28**	**3,622.00**	**4**	**41.61**	**25**	**5,174.20**	**5**	**213.48**	**28**	**6,260.08**	**5**	**219.32**

During 2005-06, the Government guaranteed loans aggregating Rs.493.08 crore obtained by seven working Government companies. At the end of the year, guarantees amounting to Rs.6,623.68 crore against 18 working Government companies were outstanding. The Government had foregone Rs.7.70 crore by way of interest in one company during the year. The guarantee commission paid/payable to the Government, by Government companies and Statutory corporations, during 2005-06 was Rs.2.82 crore/ Rs.263.39 crore and Rs.1.96 crore/Rs.0.87 crore, respectively. Three working companies defaulted in repayment of guaranteed loan of Rs.30.55 crore and payment of interest of Rs.18.11 crore.

Finalisation of accounts by working PSUs

1.6 The accounts of the Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Thirty eight working Government companies out of 59 such companies and three of the six working Statutory corporations finalised their accounts for the year 2005-06 within the stipulated period as can be seen from **Annexure-2.** During October 2005 to September 2006, 16 working Government companies

*** These are actual number of companies/corporations, which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during the year.**

finalised 16 accounts for previous years. Similarly, during this period, three working Statutory corporations finalised three accounts for the previous years.

The accounts of 21 working Government companies and three Statutory corporations were in arrears for periods ranging from one to three years as on 30 September 2006, as detailed below:

Sl. No.	Number of companies / corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial number of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	01	-	2003-04 to 2005-06	3	A-7	-
2	02	-	2004-05 to 2005-06	2	A-5, 45	-
3	18	3	2005-06	1	A-1, 3, 4, 8, 19, 22, 24, 26, 27, 34, 35, 37, 40, 41, 44, 47, 50, 51	B 3, 4, 5

The administrative departments have to monitor and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSU's could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and working results of the individual working Statutory corporations for the latest three years, for which accounts were finalised, are given in **Annexures 4 and 5** respectively.

According to the latest finalised accounts of 59 working Government companies and six working Statutory corporations, 18 companies and two corporations incurred an aggregate loss of Rs.101.34 crore and Rs.102.69 crore, respectively and 33 companies and four corporations earned an aggregate profit of Rs.647.38 crore and Rs.146.82 crore, respectively. Five companies had not commenced commercial activities, and in case of two companies excess of expenditure over income was capitalised and no profit and loss account was prepared as these companies are under construction. One company has not yet finalised it first accounts for the period January 2005 to March 2006.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 38 working Government companies, which finalised their accounts for 2005-06, 24 companies earned an aggregate profit of Rs.490.42 crore and only seven companies (serial No.A-2, 10, 25, 42, 43,58 and 59 of **Annexure-2** declared an aggregate dividend of Rs.16.66 crore. The dividend as a percentage of share capital in these seven profit making companies worked out to 2.38 *per cent*. The total return to the Government by way of its share of dividend of Rs.15.68 crore worked out to 0.12 *per cent* in 2005-06 on total equity investment of Rs.12,970.78 crore by the State Government in all Government companies as against 0.12 *per cent* in the previous year. The State Government has not framed any policy for payment of minimum dividend.

Similarly, out of 11[♣] working Government companies, which finalised their accounts for previous years by September 2006, four companies earned an aggregate profit of Rs.153.62 crore (which included profit earned for two or more successive years).

Loss incurring working Government companies

1.9 Of the 18 loss incurring working Government companies, nine companies[δ] had accumulated losses aggregating Rs.827.44 crore, which exceeded their aggregate paid up capital of Rs.550.80 crore. Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, etc. According to available information, the total financial support provided by the State Government by way of equity, loan and subsidy during 2005-06 to five companies amounted to Rs.80.09 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Three statutory corporations which finalised their accounts for 2005-06 earned an aggregate profit of Rs.144.08 crore and one Corporation (Karnataka State Warehousing Corporation) declared dividend of Rs.48.34 lakh. The dividend as a percentage to its share capital worked out to 6.45 *per cent*. The total return to the Government by way of its share of dividend of Rs.26.43 lakh worked out to 0.05 *per cent* in 2005-06 on total equity investment of Rs.568.62 crore in all Statutory corporations as against 0.03 *per cent* in the previous year. Four corporations had earned profit for two or more successive years.

♣ these exclude five companies which finalised current year's account also.

[δ] Sl. No. A-4-7, 9, 12, 19, 39, 53 of Annexure-2.

Loss incurring Statutory corporations

1.11 Two Statutory corporations, which finalised their accounts for the year 2004-05, incurred losses aggregating to Rs.102.69 crore and their accumulated losses amounted to Rs.371.42 crore, which exceeded their aggregate paid up capital of Rs.195.14 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6.**

Return on capital employed

1.13 As per the latest annual accounts finalised up to September 2006, the capital employed* worked out to Rs.45,275.36 crore in 59 working companies and total return+ thereon amounted to Rs.1,530.91 crore, which was 3.38 *per cent* as compared to capital employed of Rs.36,871.60 crore and total return of Rs.1,123.11 crore (3.05 *per cent*) in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest annual accounts finalised up to September 2006, worked out to Rs.2,988.31 crore and Rs.252.17 crore (8.44 *per cent*) respectively, as against Rs.2,750.50 crore and Rs.288.74 crore (10.50 *per cent*) in the previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2.**

Reforms in the power sector

Status of implementation of the MOU between the State Government and the Central Government

1.14 A Memorandum of Understanding (MOU) was signed in February 2000 between the Ministry of Power, Government of India and the Department of Energy, Government of Karnataka as a joint commitment for implementation of the reforms programme in the power sector with identified milestones.

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* **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).**

\+ **For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.**

Status of implementation of the reform programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2006)
Commitments made by the State Government			
1.	100 *per cent* electrification of all villages.	By 2012	As per 2001 census, there are 27,481 inhabited villages, of which 26,772 villages have been electrified, leaving a balance of 709 villages to be electrified.
2.	Reduction in transmission and distribution (T & D) losses by 10 to 15 *per cent.*	Five *per cent* reduction in T & D losses every year.	T & D Losses reduced from 35.50 *per cent* during 2000-01 to 30.46 *per cent* during 2005-06. Thus, the reduction in T & D Losses achieved over the last five years is only 5.04 *per cent* as against the target of 20 *per cent.*
3.	100 *per cent* metering of all distribution feeders.	September 2001	Completed by December 2002.
4.	100 *per cent* metering of all consumers.	Before 2003-04 (Revised to 2004-05)	Out of 29.28 lakh consumers in the un-metered category, only 13.51 lakh consumers (46 *per cent*) were provided with meters.
5	Energy audit at 11 KV sub-station level.	September 2001	Energy audit of 11 KV feeders, on monthly basis, has commenced from June 2003.
6	Securitised outstanding due of CPSUs.	---	The dues were securitised by issue of bonds in August 2003. No dues were securitised during 2005-06.
7	**State Electricity Regulatory Commission (SERC)**		
	i) Establishment of Karnataka Electricity Regulatory Commission.	The State Electricity Regulatory Commission was to be made functional within six months.	The Karnataka State Electricity Regulatory Commission was established in August 1999, and started functioning from November 1999.
	ii) Implementation of tariff orders issued by KERC during the year.	---	Implemented from time to time.
Commitment made by the Central Government			
8.	Supply of additional power.	The GOI agreed to supply additional 180 MW.	With the introduction of availability based tariff mechanism, the allocation from Central Generating stations is no longer valid as the excess or short drawal is left to the individual electricity supply companies considering the price prevailing at the time of drawal linked to the frequency.
9.	Any other help.	Reduction in interest rate on loans availed from CPSUs i.e. PFC/REC.	Interest rate on loans from Power Finance Corporation has been reduced.
	General		
10.	Monitoring of MOU.	Monitoring was done at Secretary level in the Government on issue-to-issue basis.	

State Electricity Regulatory Commission

1.15 The Government of Karnataka constituted (August 1999) the Karnataka Electricity Regulatory Commission (KERC) under the Karnataka Electricity Reform Act, 1999 (Act). The Commission comprises of three members including a Chairman, who are appointed by the State Government. As per Section 8(4) of the Act, all expenditure of the Commission is to be charged to the Consolidated Fund of the State. Accounts of the Commission have been finalised up to the year ending 31 March 2006.

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.16 As on 31 March 2006, the total investment in 17 non-working Government companies was Rs.576.51♣ crore (equity: Rs.101.81 crore, long-term loans: Rs.425.74 crore and share application money: Rs.48.96 crore) as against total investment of Rs.575.42 crore (equity: Rs.100.79 crore, long-term loans: Rs.425.67 crore and share application money: Rs.48.96 crore) in 17 non-working Government companies as on 31 March 2005.

The classification of non-working PSU's was as follows:

(Rupees in crore)

Sl.No	Status of non-working PSU's	Number of companies	Investment	
			Equity	Long-term loans
1	Closed¢	5	82.62	178.55
2	Defunct¥	4	15.93	1.58
3	Under liquidationø	8	52.22	245.61
	Total	**17**	**150.77***	**425.74**

*** includes share application money of Rs.48.96 crore**

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of non-working PSUs are given in **Annexures 1 and 3.**

The State Government provided budgetary support of Rs.12.44 crore to one non-working company in the form of loans during 2005-06. The Government

♣ **State Government's investment in non-working PSU's was Rs.557.05 crore (Others: Rs.19.46 crore). Figure as per Finance Accounts 2005-06 is Rs.619.11 crore. The difference is under reconciliation.**

¢ **Sl. No. C-1, 4, 5, 16 and 17 of Annexure -1.**

¥ **Sl. No. C-3, 6, 13 and 14 of Annexure -1.**

ø **Sl. No. C- 2, 7, 8, 9, 10, 11, 12 and 15 of Annexure -1.**

had waived loan repayment of Rs.1.73 crore in respect of one company during the year.

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total establishment expenditure of non-working Government companies and the sources of financing them during the last three years up to 2005-06 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by		
			Loans from private parties	Loans from Government	Others[@]
2003-04	17	50.69	-	33.21	17.48
2004-05	17	3.17	-	-	3.17
2005-06	17	1.42	-	-	1.42

Finalisation of accounts by non-working PSUs

1.19 The accounts of six non-working companies were in arrears for periods ranging from one to three years as on 30 September 2006, as can be seen from **Annexure-2.**

Financial position and working results of non-working PSUs

1.20 The summarized financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The year wise details of paid up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below:

(Rupees in crore)

Year of latest finalised accounts	No. of companies	Paid up capital	Net worth	Cash loss	Accumulated loss (-)
1998-99	1	0.50	(-) 8.41	0.87	(-) 8.91
2002-03	3	59.29	(-) 377.08	155.63	(-) 436.37
2003-04	3	59.06	(-) 87.70	3.45	(-) 188.20
2004-05	3	3.96	(-) 22.77	2.00	(-) 26.94
2005-06	7	27.96	(-) 162.42	11.90	(-) 204.92
Total	**17**	**150.77**	**(-) 658.38**	**173.85**	**(-) 865.34**

(Note: Net worth, cash loss and accumulated loss are as per last certified accounts.)

[@] **includes income from sales, building rent, interest, etc.**

Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1	KSFC	2001-02	2002-03	13 October 2003
			2003-04	30 September 2004
			2004-05	13 September 2005
2	KSRTC	2002-03	2003-04	30 September 2004
			2004-05	26 September 2005
			2005-06	28 September 2006
3	BMTC	2002-03	2003-04	30 September 2004
			2004-05	5 August 2005
			2005-06	7 September 2006
4	NEKRTC	2002-03	2003-04	23 December 2004
			2004-05	20 October 2005
5	NWKRTC	2002-03	2003-04	10 January 2005
			2004-05	5 December 2005
6	KSWC	2002-03	2003-04	13 May 2005
			2004-05	1 February 2006
			2005-06	26 September 2006

Reasons for delay in placement of these Audit Reports in the Legislature were not available.

Disinvestment, privatisation and restructuring* of Public Sector Undertakings

1.22 The Government of Karnataka has approved and adopted (February 2001) a comprehensive policy on Public Sector Reforms and privatisation of Public Sector Undertakings (PSUs) in the State. Accordingly, the Government identified 31 PSUs for closure, privatisation and restructuring. One defunct company viz., Karnataka Tungsten Moly Limited was dissolved during the year. The position of action taken by the

* **Restructuring includes merger and closure of PSUs.**

Government in respect of the remaining 30 companies identified for closure/privatisation/restructuring is as follows:

	No. of companies	Government order issued	Government order not yet issued
Non-working Government companies decided for closure	17	17[Э]	-
Working Government companies decided for closure	3	1[¢]	2[@]
Working Government companies decided for privatisation	8	6[♥]	2[♣]
Restructuring of Working Government companies	2	2[Ω]	-

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During October 2005 to September 2006, the audit of 55 accounts of 49 Government companies (43 working and six non-working) and six accounts of five Statutory corporations (all working) were selected for audit. As a result of the observations made by the CAG, eleven companies and one Statutory corporation revised their accounts.

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the companies/corporations are mentioned below.

1.24 *Errors and omissions noticed in case of working Government company*

The Mysore Paper Mills Limited (2005-06)

- Current Liabilities did not include fringe benefit tax of Rs. 89.96 lakh due on the contribution of Rs.2.67 crore towards superannuation fund. This resulted in understatement of current liabilities and accumulated loss by Rs.89.96 lakh.

1.25 *Errors and omissions noticed in case of Statutory corporations*

North Eastern Karnataka Road Transport Corporation (2004-05)

- Loss of Rs.40.31 crore shown in the accounts for 2004-05 was overstated by Rs.27.11 crore due to creation of liability for motor vehicle tax (Rs.24.52 crore) in spite of State Government's permission to retain the same and non-capitalisation of interest during construction on funds borrowed for capital works (Rs.2.77 crore).

[Э] All the non-working Companies as per Sl.No. C-1 to 17 of Annexure 2.

[¢] Karnataka State Construction Corporation Limited.

[@] The Karnataka Fisheries Development Corporation Limited, Karnataka Electronics Development Corporation Limited.

[♥] Karnataka Silk Industries Corporation Limited, Karnataka Soaps and Detergents Limited, The Mysore Electrical Industries Limited, Karnataka Vidyuth Karkhane Limited, Mysore Minerals Limited, Sree Kanteerava Studios Limited.

[♣] The Mysore Sugar Company Limited, The Mysore Paper Mills Limited.

[Ω] Visveswaraya Vidyuth Nigam Limited to be merged with Karnataka Power Corporation Limited, The Karnataka State Forest Industries Corporation Limited to be merged with Karnataka Forest Development Corporation Limited.

North Eastern Karnataka Road Transport Corporation (2005-06)

- Creation of liability for motor vehicle tax, though the State Government had allowed the Corporation to retain the motor vehicle tax every year from 2000-01 to the extent of cash loss till such time the operation of the Corporation breaks even, resulted in overstatement of liabilities as well as accumulated loss by Rs.96.35 crore.
- Non-provision of interest on Government loans from October 2000 onwards resulted in understatement of current liabilities and accumulated loss by Rs.65.21 lakh.

North Western Karnataka Road Transport Corporation (2005-06)

- Inclusion of the amount collected from passengers towards Accident Relief fund as per the scheme approved by the State Government in February 2002 for payment of relief to accident victims, in contravention to the Government orders, resulted in overstatement of miscellaneous income and understatement of liabilities as well as loss by Rs.7.30 crore.
- Loss for the year and depreciation reserve was understated by Rs.30.26 lakh due to short provision of depreciation on Swaraj Mazda passenger vehicles.
- Debtors include an amount of Rs.2.72 crore on account of accident repairs pending for adjustment /recovery from employees. As per the paragraph 38 of the Truce Agreement this amount is not recoverable, as the departmental enquiries have not been completed within 18 months from the date of accidents. This resulted in overstatement of Debtors and Property Insurance Fund by Rs.2.72 crore.

Karnataka State Road Transport Corporation (2005-06)

- Eleven vehicles valuing Rs.1.16 crore sold during the year as scrap have not been removed from the asset register. This resulted in overstatement of Fixed Assets (Gross Block) and Depreciation Reserve by Rs.1.16 crore and Rs.1.13 crore respectively.
- Miscellaneous income did not include Rs.2.98 crore being the value of 150 fully depreciated vehicles transferred to North Western Karnataka Road Transport Corporation/ North Eastern Karnataka Road Transport Corporation during the year. Non-inclusion of the same resulted in understatement of profit and receivables by Rs.2.98 crore.
- Profit for the year was overstated by Rs.39.13 lakh due to non-provision of depreciation on Swaraj Mazda passenger vehicles as per Government orders.

Recoveries at the instance of Audit

1.26 Test check of records of companies in the power and irrigation sectors conducted during 2005-06 revealed wrong interpretation of contract terms and other observations aggregating Rs.22.29 crore in 67 cases. The companies accepted the audit observations and a sum of Rs.4.46 crore relating to 23 audit observations was recovered at the instance of Audit.

Internal audit / Internal control

1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued to them by the CAG under Section 619 (3)(a) of the Companies Act, 1956 and to identify areas which need improvement. Such direction/sub-directions were issued to the Statutory Auditors in respect of 57 Government companies involving 57 accounts between October 2005 and September 2006 and such reports involving 40 accounts were received (September 2006) from the Statutory auditors of 38 Government companies.

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in the internal control system/ internal audit in respect of these companies is given below:

Nature of recommendation/comments made by the Statutory Auditors	Number of companies where recommendations/ comments were made	Reference to serial number of Annexure 2
Inadequate internal audit according to size and nature of business	7	A-13,15,18,27,36,38,53
Lack of proper system of internal audit	6	A-10,13,16,29,34,36
Non-formation/non-functioning of Audit Committee	7	A-7,16,27,34,36,55,59

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.28 The table below indicates the position of reviews/paragraphs that appeared in the Audit Reports and were discussed by the COPU (as on 30 September 2006):

Period of Audit Report	No. of reviews/paragraphs as appeared in the Audit Report		No. of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	3	29	3	28
2003-04	4	20	0	16
2004-05	3	22	0	0
Total	**10**	**71**	**3**	**44**

619 B Companies

1.29 There were four companies coming under the purview of Section 619B of the Companies Act, 1956 as on 31 March 2006 as against the same number of companies as on 31 March 2005. **Annexure -7** indicates the details of paid up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

CHAPTER II

PERFORMANCE REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 VISVESWARAYA VIDYUTH NIGAMA LIMITED

RENOVATION AND MODERNISATION WORKS OF HYDEL GENERATING STATIONS

Highlights

Renovation and modernisation works of Mahatma Gandhi Hydro Electric Station (MGHE) were undertaken without taking into account the cheaper cost of generation at Sharavathi Generating Station and the constraints in evacuation of power at the uprated capacity of 139.20 Mega Watt.

(Paragraphs 2.1.8 and 2.1.9)

Delay in providing winch and trolley to the contractors resulted in 23 months delay in start of work at Shivasamudram Generating Station and consequential loss of generation of 181 million units of power.

(Paragraph 2.1.12)

Leakage of water from the sluice gates 9 and 10 of Tungabhadra Dam owing to lack of maintenance resulted in loss of generation of 14.4 million units per season (July to February) at Munirabad Hydro Electric Station.

(Paragraph 2.1.15)

The Company had foregone interest subsidy of Rs.59.20 lakh (in respect of Shivasamudram) by not drawing the full amount of loan before 31 March 2002 due to delay in taking up the work. The Company paid commitment charges of Rs.68.29 lakh (MGHE and Shivasamudram) by not adhering to the drawal schedule given to Power Finance Corporation.

(Paragraph 2.1.16)

Introduction

2.1.1 The Company has been operating the following Power plants (four hydro-electric and one diesel generating station), transferred by the erstwhile Karnataka Electricity Board (KEB) in July 1999:

- Shivasamuduram Generating station, Shivasamudram (installed in 1902-1938).
- Shimshapura Power House (installed in 1940).

- Mahatma Gandhi Hydro Electric Station, Jog (installed in 1948-1952).
- Munirabad Hydro Electric Station, Munirabad (installed in 1962-1965).
- Diesel Generating Plant, Yelahanka, Bangalore (installed in 1993-1994).

Renovation and modernisation (R&M) of Mahatma Gandhi Hydro Electric Station (MGHE), Shivasamudram Generating Station and Munirabad Hydro Electric Station were taken up by the erstwhile KEB. The Detailed Project Reports (DPR) for R&M works of the three Power Stations were prepared in March 1993, December 1998 and November 1999 and the work started in March 1997, October 1999 and December 2000 respectively. The works were completed between October 2002 and October 2004.

Scope of audit

2.1.2 The performance review conducted during September to December 2005 covers the conceptualization, financing and implementation of the R&M work of MGHE, Shivasamudram and Munirabad Stations and their performance after completion of renovation.

Records selected for detailed scrutiny were based on sample size. The sample size was selected on conventional judgemental sampling method based on financial materiality. Accordingly, 80 *per cent* packages (by value) of renovation and modernisation in respect of MGHE and Shivasamudram and 100 *per cent* in respect of Munirabad were covered in audit.

Audit objectives

2.1.3 Performance review of the project was conducted with a view to assess whether:

- the renovation was actually necessary and if so whether the same was carried out after detailed study of various aspects and in a planned manner;
- the works were carried out as contemplated in the DPR, as per schedule, and whether the deviations were justified;
- renovation and modernisation of the three hydel power stations was carried out economically and efficiently;
- borrowed funds were drawn and utilised in an effective manner; and
- the performance of the Stations after renovation was as per the projections in DPR.

Audit criteria

2.1.4 Audit criteria considered for assessing the achievement of audit objectives were:

- DPRs of the three hydel power stations;
- Prescribed procedures and rules for award of works, directions issued by the Board of Directors (BOD), Government orders, etc.;
- Agreements with Financial Institutions and other lending agencies for borrowing of funds; and
- Power generation norms, Central Electricity Authority (CEA) guidelines, etc.

Audit methodology

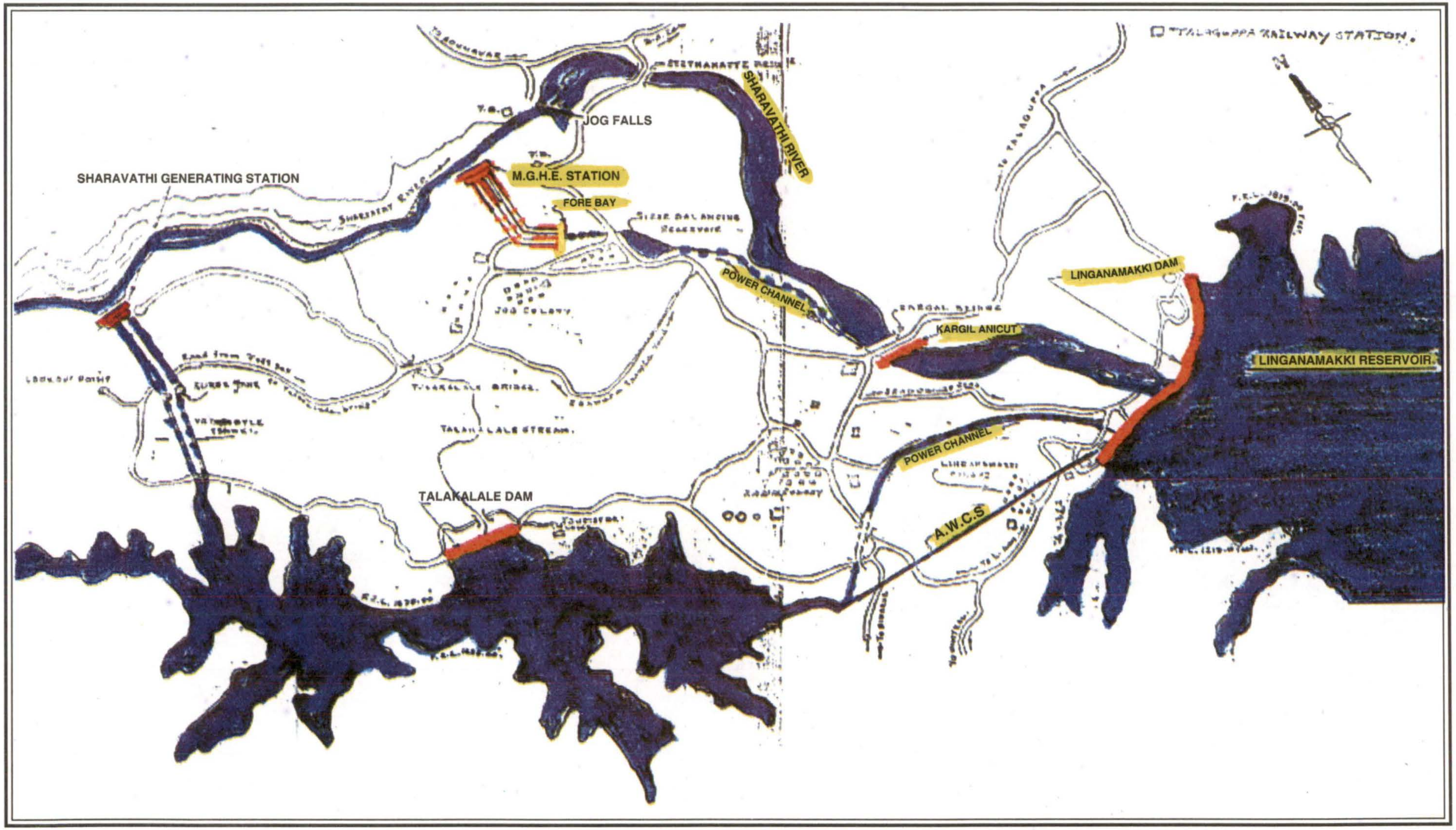
2.1.5 The methodology adopted for attaining the audit objectives with reference to the audit criteria were examination of:

- Minutes of the BODs and related Minutes of the BODs of Karnataka Power Corporation Limited (KPCL), Government Orders, Contract Management Group proceedings and guidelines from CEA;
- DPRs of the three hydel power stations;
- Major renovation and maintenance contract files, running account bills of contractors, loan and financial arrangement files/records;
- Power generation details, progress reports etc.;
- Inspection notes of Chief Engineers, Electrical and Civil and other competent authorities; and
- Issue of audit enquiries and interaction with the Management.

Audit findings

2.1.6 Audit findings, emerging as a result of test check were reported to the Company / Government in March 2006 and discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 12 September 2006. The meeting was attended by the Principal Secretary to the Government of Karnataka, Energy Department and Managing Director of the Company. The views expressed in the meeting by the representatives of the Company / Government have been taken into consideration while finalising the review.

Schematic Diagram of Mahatma Gandhi Hydro Electric Station, Jog
(Referred to in paragraph 2.1.7)



The details of capacity, cost of renovation and modernisation of the three generating stations are as under:

Generating station	Installed capacity	Derated capacity	Anticipated capacity after renovation / modernisation	Initial estimated cost (date)	Revised estimated cost	Actual cost
	Mega Watt (MW)			Rs. in crore		
MGHE	120	70	139.20	33.90 (March 1993)	44.66 (October 2000)	43.07
Shivasamudram Generating Station	42	18	42	68.38 (December 1998)	74.77 (June 2001 to October 2003)	74.06
Munirabad Hydro Electric Station	28	Only technical problems	28	3.64 (November 1999)	Not revised	3.53

Audit findings (Project wise) are discussed in the succeeding paragraphs:

Mahatma Gandhi Hydro Electric Station (MGHE)

2.1.7 MGHE (installed capacity of 120 MW) generates power using rainwater during the season and leakage/seepage water from the channels of Linganamakki dam during non-season. The water from the dam also passes through a power channel of designed capacity of 5,500 cusecs (constructed prior to 1964) and an Additional Water Conducting System (AWCS) to Sharavathi Generating Station (situated down stream of MGHE station). The old power channel had developed cracks and damages leading to water leakage (about 200 cusecs) into the Sharavathi river and water also escapes through the gates (50-70 cusecs) of Lingannamakki dam. This water is impounded at Kargal anicut[1] and the same is conducted through a power channel to MGHE through penstocks and is used for generation. The schematic diagram of MGHE is given alongside.

Due to ageing, the powerhouse was derated from 120 MW to 70 MW. A DPR for R&M was prepared and sent to the Central Electricity Authority in March 1993. A joint team[2] examined the same in October 1993. Based on the team's recommendations, the DPR was revised and approved (June 1995) by the Karnataka Electricity Board for Rs.44.66 crore. The R&M works commenced in March 1997 after a delay of about two years. Out of 25 purchase orders valued at Rs.43.07 crore relating to this Project, Audit reviewed eight purchase orders valued at Rs.36.73 crore, the details of which are given in **Annexure -8**.

[1] **Anicut is bund to stop/rebound water.**

[2] **Central Electricity Authority, Karnataka Electricity Board, Bharat Heavy Electricals Limited and Power Finance Corporation Limited.**

Audit scrutiny revealed the following:

Higher utilisation of water

Renovation and modernisation works of Mahatma Gandhi Hydro Electric Station (MGHE) were undertaken without taking into the account cheaper cost of generation at Sharavathi Generating Station and the constraints in evacuation of power at the uprated capacity of 139.20 MW etc.

2.1.8 The Company was aware that MGHE requires 12 cusecs of water to produce one million units of power as against nine cusecs required by Sharavathi Generating Station situated down stream. This made the production cost of power cheaper at Sharavathi Generating Station as compared to MGHE. In view of the above, the Company should have undertaken a cost-benefit analysis before deciding to take up the R&M works at MGHE. Thus, the R&M works at MGHE were undertaken without taking into account the cost of generation of power at MGHE, which was higher as compared to the cost of generation at Sharavathi Generating Station.

Evacuation constraints of power produced

2.1.9 There are six transmission lines (110 KV) connected to out door yard of MGHE which transmits power to various areas as discussed below:

- Two transmission lines (5 MW) cater to Jog colony of MGHE.
- Another two transmission lines having maximum load of 80 MW, carry 55 MW power generated at Linganamakki Power House (LPH). The generation at LPH cannot be reduced as the water released for generation is routed through a canal for further generation of power at Sharavathi Generating Station. Thus, the remaining capacity of 25 MW only was available for evacuation of power from MGHE.
- The remaining two transmission lines can carry only 15 MW of power produced by MGHE.

It was, thus, possible to evacuate 45 MW only, a constraint which was also not taken into account before deciding to take up the R&M works.

The Government, while accepting the audit observation stated (April 2006) that the issue of evacuation of power had been taken up with Karnataka Power Transmission Corporation Limited (KPTCL), who had prepared a comprehensive plan for the evacuation system. The Government also stated that maintaining MGHE in good condition was essential as it could be used as a peaking station and the State could get the benefits of higher tariff or avoid import of costly power. The reply is not tenable as MGHE was already being used as a peaking station after installation of Sharavathi Generating Station. Also, even if it produces power continuously at the uprated capacity of 139.20 MW, only 45 MW can be evacuated with the existing infrastructure.

Replacement of penstock protection valves

2.1.10 The Company awarded the work of supply, erection and commissioning of hydraulic equipments to VA Tech (firm) at a price of Rs.24.40 crore. One of the components of the work was replacement of penstock protection valves and installation of an ultrasonic over-velocity detection device. The device was designed to automatically trip the valve if high velocity was detected.

It was noticed in audit that though the R&M works were completed by October 2002, supply and commissioning of over-velocity detection devices were not done (April 2006). Consequently, the valve tripping mechanism was not put to use exposing the penstocks to risk.

The Government stated (April 2006) that one penstock protection valve (out of four) installed in March 2001 was damaged due to lightning and the firm had agreed to replace the same shortly. It further stated that the final bill of the firm would be settled after satisfactory replacement. The reply is not acceptable as the replacement is yet to be done and the penstocks continue to be exposed to risk due to non-installation of the devices even after five years.

Shivasamudram Generating Station

2.1.11 Shivasamudram Generating Station had an installed capacity of 42 MW. Due to ageing, the station was derated to 18 MW. Further, the station generated power at 25 hertz frequency. After meeting the local power requirements of 10 MW the balance was converted to 50 hertz (National Standard) and transmitted to Bangalore/Mysore cities. It was decided to uprate the station to its installed capacity and convert it into a station with 50 hertz transmission. A DPR was prepared (December 1998) and works were undertaken in October 1999 with scheduled completion by April 2002. Out of 20 purchase orders valued at Rs.74.06 crore, Audit reviewed eight purchase orders valued at Rs.69.72 crore, the details of which are given in **Annexure-8.** The schematic diagram of Shivasamudram is given overleaf.

Audit scrutiny revealed the following:

Delay in completion of work

Delay in providing winch and trolley to the contractors resulted in 23 months delay in start of work at Shivasamundram Generating Station and consequential loss of generation of 181 million units of power.

2.1.12 The project was completed in October 2004 after a delay of 27 months. This was due to initial delay of 23 months in taking up the work. Audit scrutiny revealed that the delay was due to failure of the Company to provide 30 tonne winch with trolley for transportation of equipment/materials from surface to powerhouse as per terms of the purchase order.

The Company hired a winch and trolley of 50 tonne capacity at a cost of Rs.12.78 lakh in February 2001. The delay in hiring the winch and trolley resulted in loss of generation of power of 181 million units valued at Rs.18.27[3] crore.

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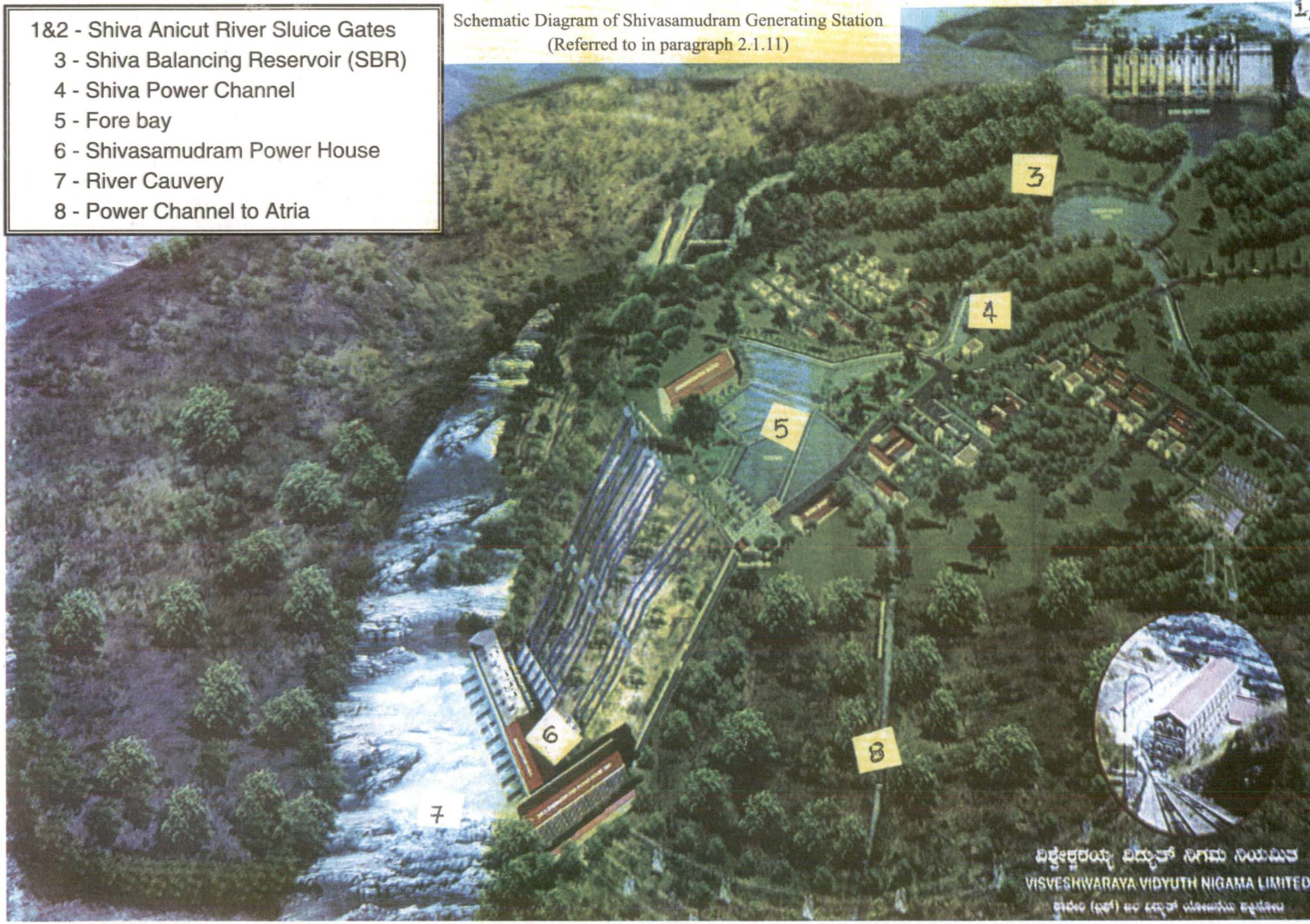
[3] **calculated for 27 months delay based on Tariff Design Energy (10 *per cent* plant load factor utilisation as directed by State Regulatory Commission).**

Schematic Diagram of Shivasamudram Generating Station
(Referred to in paragraph 2.1.11)



The Government while accepting that there was delay of 23 months stated in their reply (April 2006) that they depended on Atria Power Corporation (APC), an independent power producer who had agreed (1998) to allow the Company to use their rail track and winch for transportation of material after strengthening of the same. The reply is not acceptable as no date was specified in the agreement with APC for strengthening of rail track and supply of winch. The Company should have considered immediate alternate arrangements for hiring of winch and trolley in view of loss of generation of power.

Non-sharing of infrastructure expenditure

2.1.13 As a part of R&M works, the remodeling of power channel and water conducting system of the Shiva channel (leading to generating station) was envisaged. The said work was completed in March 2002 at a total cost of Rs.12.92 crore.

Audit scrutiny revealed that the benefit of this work was also to accrue to other agencies like Shimsa Generating Station, Bangalore Water Supply and Sewerage Board (BWSSB), APC and Cauvery Hydro Electric Limited (CHEL) also. No action was, however, taken to recover the proportionate share of cost from these beneficiaries.

The Government stated (April 2006) that correspondence was on with BWSSB on cost sharing and that APC and CHEL were willing to share cost provided water supply to their stations was assured. The reply is not acceptable as the Management failed to enter into an agreement with the beneficiaries before start of the work. The reply is also silent on a timeframe for entering into agreements with the users in this regard.

Munirabad Hydro Electric Station (MHES)

2.1.14 The MHES, with an installed capacity of 28 MW, utilizes the water let-out for irrigation through Left Bank Canal of Tungabhadra dam for power generation. A DPR was prepared (November 1999) to overhaul and modernise the station. Audit reviewed the major purchase orders (two orders) valued at Rs.3.40 crore out of total project cost of Rs.3.53 crore (two orders and some minor repair works), the details of which are given in **Annexure -8**.

Audit scrutiny revealed the following:

Leakage of water from the sluice gates 9 and 10 of Tungabhadra Dam owing to lack of maintenance resulted in loss of generation of 14.4 million units per season (July to February) at Munirabad Hydro Electric Station.

Loss of generation due to leakage through intake sluice gates

2.1.15 The Tungabhadra dam has 10 sluice gates for discharge of water for irrigation. Water from sluice gates 1 to 8 passes through the generating station producing 28 MW. When the generating units are not operational sluice gates 9 and 10 (bypass gates) are used to let out water for irrigation.

It was noticed in audit that there was continuous leakage of water through gates 9 and 10 owing to lack of maintenance by the Irrigation Department since January 2002.

This resulted in loss of power generation of 14.4 million units valuing Rs.79.20 lakh[4] per season (July to February). The Government stated (September 2006) that the Irrigation Department had carried out (April 2006) the repairs. The fact remains that the repairs were not carried out for a period of four years (2002-2006).

Project financing

2.1.16 The Power Finance Corporation Limited (PFC) financed Rs.73.32 crore out of total estimated cost of Rs.116.60 crore of R&M works. The loan was released on submission of supplies and erection bills as per schedule laid down. Further, the Government of India under the Accelerated Generation and Supply Programme extended interest subsidy of four *per cent* on the loans sanctioned by the PFC. The subsidy was available for drawals upto 31 March 2002 only (end of IX Plan period). The station-wise fund management details are given below:

Generating Station	Estimated cost	Loan sanctioned by PFC	Date of sanction	Loan released upto 31.3.2002	Shortfall in committed drawal before 31.3.2002	Drawn after 31.3.2002	Date of completion of work
	Rs. in crore			Rs. in crore			
MGHE	44.66	23.50	9.11.1995	23.50	-	-	October 2002
Shivasamudram Generating station	68.38	48.00	19.4.1999	33.20	7.18	14.80	October 2004
Munirabad Hydro Electric Station	3.56	1.82	22.5.2001	1.82	-	-	October 2002
TOTAL	**116.60**	**73.32**		**58.52**	**7.18**	**14.80**	

In this connection it was noticed during audit that:

- the Company did not draw the full amount of loan of Rs.48 crore in respect of Shivasamudram foregoing a subsidy of Rs.59.20 lakh relating to undrawn loan of Rs.14.80 crore. This was attributable to delay of 23 months in starting the work as discussed in **paragraph 2.1.12**. The Government accepted (April 2006) the audit observation.

- the Company did not adhere to the schedule of drawal given by PFC even after two revisions resulting in payment of commitment charges of Rs.68.92 lakh (Rs.41.57 lakh in respect of MGHE and Rs.27.35 lakh in respect of Shivasamudram Generating Station). The Government accepted (April 2006) the audit observation.

[4] calculated based on Executive Engineer's (Electrical) letter dated 14.10.2005 to Chief Engineer (Irrigation Department) for 14.40 million units at Rs.0.55 per unit.

Performance of generating stations after modernisation

2.1.17 The capacity of MGHE was uprated to 139.20 MWs, the installed capacity of Shivasamudram was restored (42 MWs) and the technical problems in Munnirabad were set right as indicated in the DPR. The table below indicates the year wise details of generation of power in each of the three generating stations during pre-renovation and post-renovation periods:

Station	Status	Period	Average generation during the period (million units)	MW
MGHE	Pre-renovation	1990-1997	379	43.26
	During renovation	**1998-2002**	**98**	**11.18**
	Post renovation	2003-2005	156	17.80
Sivasamudram	Pre-renovation	1990-1999	115	13.13
	During renovation	**2000-2003**	**58**	**6.62**
	Post renovation	2004-2005	192	21.91
Munirabad	Pre-renovation	1990-1999	92	10.50
	During renovation	**2000-2002**	**82**	**9.36**
	Post renovation	2003-2005	52	5.94

From the table it can be observed that

- the generation at MGHE during the post-renovation period was less than its generation during the pre-renovation period due to evacuation constraints as stated in **paragraph 2.1.9**.
- Shivasamudram achieved targets of generation of energy of 180 million units.
- in respect of Munirabad, the generation is based on availability of water after use for irrigation purposes.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Company and officers of the Government at various stages of conducting the performance review.

Conclusion

Renovation and Modernisation works of MGHE were undertaken without taking into account the cheaper cost of generation at Sharavathi Generating Station and constraints in evacuation of power at the uprated capacity of 139.20 MW. The Company failed to provide winch and trolley in time leading to abnormal delay in completion of works at Shivasamudram Generating Station. Non-maintenance of sluice gates at Munirabad Hydro Electric Station resulted in loss of generation. The Company failed to draw the full amount of loan due to delay in the completion of work and consequently forgoing subsidy.

Recommendations

- **The Company should undertake the R&M works of its Power Stations in future only after conducting a cost-benefit analysis of the project.**

- **The Company should provide the infrastructure facilities for the execution of work in time to avoid delay in execution.**

- **The Company should co-ordinate with other agencies to enhance the evacuation facilities at MGHE to avail the full benefit of uprated capacity of 139.20 MW.**

2.2 KARNATAKA STATE AGRO-CORN PRODUCTS LIMITED

MANUFACTURE AND DISTRIBUTION OF ENERGY FOOD

Highlights

The Company set up (1979-1987) five energy food production units in Karnataka to meet the entire requirement of energy food for the children and lactating mothers under the nutritional program of the Government of Karnataka.

(Paragraph 2.2.1)

The actual production decreased drastically from 2003-04 onwards due to diversion of 50 *per cent* of the requirement of energy food to a private party by Department of Women and Child Development (DWCD). Failure to diversify its product range and the continued dependence on DWCD, which was diverting the orders to a private party, has affected the very existence of the Company.

(Paragraphs 2.2.7 and 2.2.17)

Non-following of the prescribed nutritional formula in the manufacture of energy food and using cheaper ingredients resulted in saving in cost but compromised the nutritional balance of energy food supplied to children and lactating mothers.

(Paragraph 2.2.12)

The Quality control system prevalent in the Company was not effective as the quality tests in its laboratories were carried out by unqualified personnel.

(Paragraph 2.2.16)

Introduction

2.2.1 The Karnataka State Agro-Corn Products Limited (KSACPL) was incorporated in April 1973. The objectives of the Company *inter-alia* included establishing mills and factories for producing edible and non-edible products.

The Government of Karnataka (GOK) with the assistance of United Nations Children's Fund (UNICEF) introduced (1975) a scheme to provide low cost nutritionally balanced and acceptable formulated flours from indigenous raw materials of high nutritive value for distribution to children and lactating mothers. This supplementary nutritional programme is implemented under Integrated Child Development Scheme (ICDS).

The Company set up (1979 to 1987) five production units at Doddaballapur, Mysore, Chitradurga, Raichur and Belgaum to manufacture the Amylase Rich Energy Food (AREF/energy food). The technical consultancy was to be provided by Central Food Technological Research Institute, Mysore (CFTRI). The GOK had funded the entire cost of the project with UNICEF aid and undertaken to purchase the entire quantity of energy food required for implementation of the project from the Company.

The present activities of the Company are mainly confined to production of energy food, which constitutes approximately 90 *per cent* of the gross revenue.

The working of the Company was last reviewed and reported in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1995-96. The Report was discussed by Committee on Public Undertakings in September 1997.

Scope of audit

2.2.2 The performance review conducted during August and September 2006 covers the performance of manufacture and distribution of energy food by the Company during 2001-2006. The records of the Head Office and its production units at Chitradurga, Belgaum and Raichur were reviewed.

Audit objectives

2.2.3 The performance review was conducted to ascertain whether:

- the facilities established for production of energy food were utilised to the optimum level and wastages were within the norms;
- the objective of establishing the units for providing low cost balanced and highly nutritive value food was achieved;
- the planning for procurement of raw materials and supply of finished product at competitive rate was adequate;
- the quality of the product was adequate and consistent with the norms of the Government/CFTRI;
- the Company had explored the possibilities for expanding its market share for energy food and diversification, as reported by the Government in response to the earlier report of Comptroller and Auditor General of India (Commercial) for the year 1995-96; and
- the system of supply, billing, recovery and internal controls were adequate;

Audit criteria

2.2.4 Audit criteria considered for assessing the achievement of audit objectives were:

- Government orders/instructions;
- The norms fixed by the Management for production and wastage;
- The norms fixed by the Government/CFTRI with regard to quality and composition;
- The targeted beneficiaries in the State, the market potential for energy food ;
- The rates approved by the Government for supply of energy food; and
- The schedules of supply fixed by the indenting department.

Audit methodology

2.2.5 The methodology adopted for attaining the audit objectives with reference to the audit criteria were:

- review of Board minutes, Government orders, correspondence with CFTRI and Department of Women and Child Development;
- review of purchase order files, sales records;
- records relating to actual production, wastage, usage of materials with reference to the standards;
- test check of internal control system; and
- issue of Audit observations and interaction with the Management.

Audit findings

2.2.6 Audit findings arising from performance review were reported to the Company/Government in September/October 2006 and discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 6 October 2006. The meeting was attended by the Under Secretary to the Government of Karnataka, Agriculture Department and Managing Director of the Company. The views expressed in the meeting by the representatives of the Company/Government have been taken into consideration while finalising the review.

Production Performance

Utilisation of production capacity

2.2.7 The five production units of the Company were started exclusively to serve the supplementary nutritional programme under ICDS. The Department of Women and Child Development (DWCD) places periodical indents on the

Company for supply of energy food. The total installed capacity available with the Company is 32,900 MT. The details of actual quantity produced and supplied by the Company to the DWCD during the last five years are given below:

(Quantity produced in Metric Tonnes and capacity utilised in *per cent*)

Name of the unit	2001-02		2002-03		2003-04		2004-05		2005-06	
	Quantity produced and supplied	Capacity utilised	Quantity produced and supplied	Capacity utilised	Quantity produced and supplied	Capacity utilised	Quantity produced and supplied	Capacity utilised	Quantity produced and supplied	Capacity utilised
Belgaum	7,868	116	6,995	103	2,494	37	3,322	49	3,564	52
Chitradurga	7,623	147	7,954	131	2,799	46	2,307	38	2,725	45
Doddaballpur	7,123	89	7,070	88	3,277	41	3,179	40	2,806	35
Mysore	6,791	112	6,389	106	2,721	45	3,153	52	3,007	50
Raichur	6,859	100	8,618	125	2,731	40	2,210	32	2,907	42
Total	**36,264**	**108**	**37,026**	**110**	**14,022**	**42**	**14,171**	**42**	**15,009**	**44**

The actual production reduced drastically from 2003-04 onwards due to diversion of 50 *per cent* orders to a private party by DWCD, which affected the very existence of the Company.

It could be seen from the above details that during 2001-03 the production and supply of energy food was more than the capacity available with the company. Subsequently, from 2003-04 onwards the capacity utilisation declined drastically to 42 to 44 *per cent* only. The main reason for this decline was the restriction of the role of the Company for supply of energy food to 13 districts (out of 27 districts) only from the earlier role of it being the only supplier for the whole State. The supply of energy food for other districts was entrusted to a private party by DWCD on the plea that it was required to invite competitive tenders for the purchases under the Karnataka Transparency in Public Procurements Act.

It is pertinent to mention that the Government while setting up the five units under the Company for manufacture of energy food to implement its nutritional programme had agreed to purchase the entire quantity of energy food manufactured by these units. This was also reiterated subsequently in a Legislative Annual Report (January 1997) and in the proceedings of a meeting (June 2004) taken by the Chief Minister for reviewing the operations of the Company.

Due to change in policy of procurement by the DWCD, the sales of energy food reduced from Rs.62.03 crore in 2001-02 to Rs.29.87 crore in 2005-06. Since the Government is the sole indenter of energy food and it represents 90 *per cent* of the total turnover, the diversion of orders has affected the very existence of the Company.

The Management accepted (September 2006) the audit observation and stated that there was no positive response from DWCD.

Loss of production due to cancellation of shifts

2.2.8 It was noticed in audit that a large number of shifts were cancelled in production units mainly for want of indents and raw materials. This led to loss of production, under-utilisation of resources and consequent payment of idle wages. A review of the three production units at Chitradurga, Belgaum and Raichur revealed that:

- during last five years, 12 *per cent* of the shifts (1,163 out of 9,800) planned were cancelled due to non-availability of raw materials and indents. During the years 2002-03 and 2003-04, 692 and 320 shifts respectively were cancelled due to non-availability of raw material, indicating poor material planning.

- during the period 2003-06, the planning of shifts was reduced by one third. Even out of the planned shifts of 2,236 during 2004-05 and 2005-06, number of shifts cancelled due to non-availability of indents were 281 representing 12.60 *per cent* of the shifts.

This indicated the poor follow up of the Company with DWCD for indents and non-synchronisation of raw material purchases.

Wastage

2.2.9 The process wastage in production of energy food during last five years up to 2005-06 was as follows:

Name of the unit	2001-02	2002-03	2003-04	2004-05	2005-06
	wastage in *per cent*				
Belgaum	6.65	6.82	6.82	4.87	4.65
Chitradurga	5.50	5.85	4.91	4.29	4.58
Doddballapur	6.20	7.40	4.81	5.00	3.95
Mysore	5.99	NA	5.49	4.92	4.44
Raichur	6.43	6.14	5.84	4.29	4.10
Average	**6.15**	**5.24**	**5.57**	**4.67**	**4.34**

It can be seen from the above table that the wastage was not only inconsistent within the same units but that there were wide variations amongst the units, ranging from 3.95 to 7.40 *per cent.* The Company has, however, not fixed any norm for wastage even though this is very vital in a manufacturing unit.

The Government agreed in the ARCPSE meeting to fix the wastage norms.

Payment of production incentive

2.2.10 As per the group incentive plan applicable for energy food division from April 1991, the standard production norms were fixed at six metric tonne with 22 workers per shift. Subsequently in 2000-01, the Company installed new automated machinery (wheat roaster with conveyor, air attrition mill etc.). The Company, however, did not increase the standard production norms after automation. Test check by audit in the three units at Chitradurga, Belgaum and Raichur indicated that though the capacity of the plants was increased and higher production was achieved, the Company paid incentive of Rs.40.29 lakh during 2001-02 and 2002-03 based on old production norms.

The Management stated (October 2006) that due to delayed receipt of indents from DWCD the company was forced to pay incentives to achieve the production in time. It was further stated that the norms have been revised to nine metric tonne with 14 workers per shift with effect from 2004.

Non-installation of Auger filling and continuous bag sealing machine

2.2.11 As a part of improvement in quality, hygienic standard and efficient packing in the manufacture of energy food, it was proposed (March 2001) to equip each of the energy food units with fully automatic weighing and auger filling system (with continuous bag sealing machine) with potential savings of Rs.24 lakh per annum. No action was, however, taken to install the machines as the prices quoted by the vendors were too high (Rs.12 lakh) as compared to estimated cost of Rs.2.30 lakh. Failure to install the machines resulted in the company not being able to improve quality and hygienic standards, besides it being deprived of the potential savings.

The Management stated (October 2006) that action would be taken to install the machine.

Nutritional formula in manufacture of energy food

Non-following of the prescribed nutritional formula in the manufacture of energy food and using cheaper ingredients resulted in saving in cost but compromised the nutritional balance of energy food supplied to children and lactating mothers.

2.2.12 As per the supplementary nutrition programme of ICDS, energy food worth Rs. 1.50 per child and Rupees three per lactating mother has to be supplied to DWCD. The programme of feeding is six days a week for 0-3 years old child, two days a week for 3-6 years old child and for lactating mothers. Further, the CFTRI prescribed the formula for the nutritional content/mix of the energy food. During April 2003, the DWCD changed the composition given by CFTRI and introduced sugar in place of jaggery. The composition prescribed by CFTRI and DWCD are given below.

Ingredient (units)	CFTRI	DWCD
Wheat	53	35
Defatted soya flour	13	17
Soya	5	5
Bengal gram	5	5
Jaggery/Sugar	35	32
$CaCO_3$, $FeSO_4$ and Vitamin Premix	1	1
Malted Ragi	-	5-10
Total Units	**112**	**100**

It was observed by audit that the Company neither followed the composition of CFTRI nor of DWCD and instead manufactured energy food by varying the formula. The Company replaced soya /Bengal gram / soya flour with more quantity of wheat. This resulted in saving of cost by Rs.9.47 crore (for five years up to 2005-06) to the Company but this compromised the nutritional balance of the energy food supplied to children and lactating mothers.

Similarly, the Company mixed vitamin premix at 0.1 *per cent* as against one *per cent* prescribed by the CFTRI and DWCD resulting in savings of Rs.11.27 crore for the last three years (2003-2006). This, however, diluted the quality of energy food and did not supplement the desired nutritional value of vitamins, proteins, minerals and carbohydrates.

The Management stated (October 2006) that the specific nutritional requirement had been met in its supplies. The reply is not tenable as the CFTRI/DWCD has specifically prescribed the input contents as given in table above apart from specific nutritional requirement[5] and the change in the composition would not have been able to meet these specific nutritional requirements

Procurement of raw material

Allotment of wheat

2.2.13 The main ingredient of the energy food manufactured by the Company is wheat. In order to reduce the cost, the DWCD allots wheat (through Food Corporation of India-FCI) to the Company at Below Poverty Line (BPL) rates. A review of procurement of wheat revealed that there was no system in the Company/Department to determine the exact quantity of wheat required and there was delay in allotment of wheat by the DWCD (i.e. requirement of 2004-05 was allotted in August 2004; of 2005-06 in July 2005).

Purchase of sugar in open market

2.2.14 The Company is being allotted wheat by DWCD at Below Poverty Line rate, which in turn has helped in reducing the cost of energy food. The Company, however, purchases sugar from the open market. Even though 13,633 MT of sugar costing Rs.21.05 crore was consumed during the last three years, no efforts were made for allotment of sugar under the Public Distribution System, which could have brought down the cost of energy food by Rupees one crore per annum at current levels of cost (computed with reference to difference between the market price and the public distribution system price).

The Management stated (October 2006) that Department of Food and Civil Supplies had turned down the request as sugar is a controlled commodity and the matter would now be taken up with the Government.

Inter unit raw-material transfers

2.2.15 The requirement of each production unit was not properly assessed resulting in inter-unit transfers. Test check of the records at Chitradurga, Belgaum and Raichur units revealed that a total of 3,025.68 MT (for five years up to 2005-06) of raw material was transferred from and to these units resulting in extra expenditure of Rs.9.08 lakh (at Rs.300 per MT) on

[5] **Protein (15-16 gram); calories (372-380 Kcal); crude fibre (2.5gram); iron (4.6mg) phosphorous (0.8mg); thaimin (0.8mg); raboflavin (0.8mg); naicin (6mg); vitamin A (1,500-2,000 units); vitamin B12 (0.4 Ug).**

transportation. The Management stated (October 2006) that inter unit transfers were necessitated due to lorry strikes, rains and unwillingness of suppliers to supply to certain units. The reply confirms the audit observation of lack of proper procurement planning.

Quality control

2.2.16 As per the accepted procedures, the raw materials and finished products are to be tested for quality under specified norms. The Company has its own laboratory at each plant. A review of the quality system revealed that:

- lab assistants without the required qualifications were conducting the chemical analysis and furnishing reports;

- though the Company issued general instructions for physical inspection, laboratory testing of raw materials and ingredients, the same was not conducted in the production units by qualified technicians;

The Quality control system prevalent in the Company was not effective as the quality tests in its laboratories were carried out by unqualified personnel.

- the guidelines issued by the management required highest cleaning standards viz., cleaning of stores and surrounding areas. There were, however, no records to show that hygienic standards were maintained;

- the Board observed (in 1997) that the raw materials were not meeting the specifications prescribed under the Prevention of Food Adulteration Act and suggested for reduction in prices depending on variations. Accordingly, the Company is accepting raw materials not meeting the specification, by recovering for deviations from the suppliers;

The Management stated that some of the units had qualified personnel while the other units had experienced staff in quality control. The reply is not acceptable as except for Doddaballapur unit, the other quality control personnel did not satisfy the educational qualification prescribed in the rules of the Company.

Marketing and pricing of energy food

Failure to diversify its product range and the continued dependence on DWCD, which was diverting the orders to a private party, has affected the very existence of the Company.

2.2.17 In response to an observation by the Comptroller and Auditor General of India in the Audit Report (Commercial) of 1996 that the Company should not depend solely on Government for sale of its products as this would lead to a crisis in the event of withdrawal of captive Government business, it was replied that the Company was trying to diversify its product range. The Company, however, did not take any action to diversify and continued to depend on the Government. Meanwhile, the DWCD decided to procure 50 *per cent* of its requirement from the open market from 2003-04 onwards. The Company is now faced with the reality of excess capacity and no alternate buyers for its products, which has affected the very existence of the Company.

2.2.18 It was noticed in audit that after deciding to procure 50 *per cent* from the market, DWCD procured energy food from a private party by calling for tenders. The offer of the Company for supply under the open tender of 2003-04 was rejected on the ground that it did not have ISO Certification. The bid of the company in the open tender for 2005-06 was rejected on the grounds of non-availability of protein efficiency ratio and less shelf life. The Department, however, directed the Company to supply the energy food to 13 districts covering balance 50 *per cent* of the requirement. The action of the Department in rejecting the offer of the Company on the basis of quality on one hand and on the other hand allowing it to supply the balance 50 *per cent* requirement was inconsistent and intriguing.

2.2.19 It was also noticed that the Company participated (January 2003) in the open tender of DWCD by quoting a rate of Rs.19.89 per Kilogram (Kg) for the energy food requirement from October 2003 to March 2005. The bid of the Company was not opened on the ground that the Company was not ISO certified (a tender condition). The DWCD placed (September 2003) the order on a private firm Christy Fried Gram Industries, Tamil Nadu at Rs.21.67 per Kg (inclusive of taxes). It is interesting to note that the Company was supplying its share of energy food to DWCD at Rs.18.30 per Kg (inclusive of taxes) and was earning profit. Thus, DWCD incurred an additional expenditure of Rs.9.43 crore[6] while the production facilities of Company remained under-utilised.

Further, during May 2005 the DWCD called for open tenders for its energy food requirement of September 2005 to August 2006. The Company participated by quoting a rate of Rs.24.60 per Kg. (inclusive of taxes). DWCD, however, awarded the order to Christy Fried Gram Industries, at Rs.25.20 per Kg (inclusive of taxes) by rejecting the offer of the Company on the grounds of non-availability of protein efficiency ratio and shelf life certificates. Thus, in spite of the Company having quoted lower rates, the DWCD is now forced to pay both the private party and the Company a rate of Rs.25.20 per Kg.

The Management stated (October 2006) that the condition of ISO certification was hitherto not specified by DWCD and it could not obtain certification in the short time before quoting for the 2003-04 tender. Once the Company was ready with the ISO certification for the 2005-06 tender, the condition of protein efficiency and shelf life was introduced by DWCD in the tender and it was not prepared for the same as it was neither an industry standard nor advised by CFTRI. In the ARCPSE meeting the Government stated that DWCD is required to invite competitive tenders for the purchase under the Karnataka Transparency in Public Procurements Act (the Act) and that the orders for 50 *per cent* of the requirement was being placed on the Company after obtaining exemption under Section 4(G) of the Act from time to time, on short term basis, and that the Company would approach the Government for a permanent exemption from the provisions of the Act for obtaining order for the entire requirement.

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[6] **Rs.21.67-Rs.18.30 = Rs.3.37 x 28,000 MT (approximate) for period October 2003 to August 2005.**

Pricing

2.2.20 At the time of formulation of energy food production units, the State Government had undertaken to procure the entire requirement of energy food from the Company and approved pricing of the product in such a manner so that the Company should earn five *per cent* profit on the cost of energy food. For this purpose, the Company was furnishing the cost data to the Government from time to time.

A review of pricing of energy food products revealed that the company was earning profits ranging from 4.57 *per cent* to 40.53 *per cent* during 2002-03 to 2005-06, thereby indicating that the profit earned was very high compared to the laid down policy of the Government. This was mainly due to substitution of cheaper ingredients in the manufacture of energy food as brought out in **paragraph 2.2.12**. The Management stated (October 2006) that higher profits in earlier years were due to higher volume of orders. The reply is not acceptable as it was the substitution of ingredients that had contributed substantially to higher profit margins.

Accumulation of Sundry Debtors

2.2.21 The supply of energy food is made only to DWCD represented by Child Development Program Officers (CDPO). The outstanding dues from DWCD had accumulated to Rs.17.68 crore as on March 2006 and related to the period from 1997 onwards. The Management stated (October 2006) that efforts were being made to recover the dues.

A review of the outstanding dues from the Department revealed the following:

- There was no agreement with the Department at the apex level or with the units for supply and payment.

- Under the existing system, CDPOs are to make payment out of budgetary grants provided by the Government, which are not sufficient to meet the accumulated arrears. There is a need to pursue the issue at the highest level for provision of adequate funds in the budget of CDPOs so that they may clear the outstanding dues of the company.

- An amount of Rs.1.26 crore was due from those districts where the Company had stopped supplies from 2003 onwards and as such chances of recovery of these dues are remote.

2.2.22 The Government had advanced (2002) an amount of Rs.45 crore for supply of energy food under the supplementary nutritional scheme. The Company invested this amount in term deposits and earned interest of Rs.1.87 crore. Subsequently, the Government recovered the entire interest income on the ground that the investment of the funds was in violation of the Government orders. It is pertinent to mention that while on one hand the dues of the Company were held up with the Government indefinitely due to non-availability of budgetary grants, on the other hand it had to surrender the interest earned on advances.

Internal Control system

2.2.23 A review of internal controls in the company revealed that:

- Budgets for 2003-04, 2004-05 and 2005-06 were prepared three to five months after commencement of the financial year and were submitted to the Board of Directors but there was no record/resolution regarding its approval by the BODs.

- The officer representing DWCD has not been nominated to the Board since September 2005 by the Government.

- There was poor control in the recording and follow up of indents received from Child Development Officers of the DWCD. Audit scrutiny revealed that the original indents were not available in most of the cases in the units audited. There was delay in supply of energy food ranging from five to 40 days by Belgaum and Raichur units during 2002-2006. The non-supply of energy food within the stipulated period resulted in cancellation of orders for 1,884 MT of energy food and consequent loss of revenue of Rs.3.43 crore to the company during 2002-2006.

- The Company had no system with regard to recording of bills paid with acknowledgements and maintenance of party wise ledgers at the head office. This had led to double payment of Rs.18.76 lakh towards supplies (as reported during 2003-04 by the Statutory Auditors).

Inadequate Internal Audit

2.2.24 In spite of comments by the Statutory Auditors on inadequate coverage of internal audit in the areas of production, vouching, statutory payments, collection and remittance of taxes, delegation of powers, costing, the Company is yet to comply with the requirement. The Management stated (October 2006) that a firm of Chartered Accountants was being entrusted with internal audit to cover these areas.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Company and officers of the Government at various stages of conducting the performance review.

Conclusion

The Company's production units for energy food were established by the Government to provide low cost nutritionally balanced energy food to cater to identified beneficiaries. The facilities created had remained grossly underutilised due to diversion of orders by the DWCD to a private party. The Company did not follow the prescribed nutritional formula in the manufacture of energy food. Substitution of cheaper ingredients in the manufacture of energy food resulted in saving in the cost but compromised the nutritional balance of energy food supplied to children and lactating mothers. Failure to diversify its product range and the continued dependence on DWCD, which was diverting the orders to a private party, has affected the very existence of the Company.

Recommendations

- **Concerted efforts should be made at the highest level to ensure the award of orders to the Company for the entire requirement of energy food to make full utilisation of the facilities.**
- **The Company should strictly adhere to the specified composition of raw materials in manufacture of energy food to ensure nutritional balance and should ensure quality control.**
- **The Company should diversify its product range so as to utilise its resources to the full extent.**

2.3 THE MYSORE PAPER MILLS LIMITED

INFORMATION TECHNOLOGY SYSTEMS - APPLICATION AND GENERAL CONTROLS

Highlights

Lack of key controls rendered the pay roll package vulnerable to risk of incorrect payments.

(Paragraph 2.3.9)

Lack of key controls exposed the Main Accounts system to risk of incorrect and inaccurate reports being submitted for management decisions.

(Paragraph 2.3.10)

A strong system of physical and logical access control did not exist in the company.

(Paragraph 2.3.11)

There was no well developed business continuity plan to take care of IT assets in case of disasters.

(Paragraph 2.3.12)

Introduction

2.3.1 The Mysore Paper Mills Limited, Bangalore was incorporated in May 1936 and became a Government company in November 1977. The paid up capital of the Company as on 31 March 2006 was Rs.118.84 crore; contributed by State Government Rs.76.92 crore (64.70 *per cent*), Financial Institutions Rs.38.80 crore (32.70 *per cent*) and private parties Rs.3.11 crore (2.60 *per cent*). Presently, the Company is engaged in the manufacture of cultural and writing paper, newsprint and sugar. Towards its computerisation activities, the Company has spent Rs.2.28 crore so far on hardware and software and is incurring annually an expenditure of Rupees seven lakh for their maintenance. The Information Technology (IT) Organisation of the Company is headed by one Senior Superintendent reporting to the Assistant General Manager (Finance) at Bhadravathi. Important computer applications being used by the Company are Stores accounting, Payroll and Main accounts packages.

Scope of audit

2.3.2 Audit evaluated the General IT Controls and application system prevailing in the Company dealing with Stores, Payroll and Main Accounts (Financial Accounts) during March 2006.

Audit objectives

2.3.3 The audit objective was to evaluate the effectiveness, reliability and integrity of application systems, dealing with Stores, Payroll and Main Accounts (Financial Accounts) along with an evaluation of the general IT controls in the company.

Audit criteria

2.3.4 The audit criteria considered for assessing the achievement of audit objectives were manual data, electronic data, wherever made available, and manuals and procedures for implementation of Stores, Payroll and Main Accounts (Financial Accounts) packages.

Audit methodology

2.3.5 The sample data of the information contained in data tables received from the IT department of the company was scrutinized using the generalized audit software-IDEA.

IT policy and strategy

2.3.6 It was noticed in audit that in spite of investing significant amounts on IT assets, no strategic IT Plan had been drawn up to satisfy business requirements duly striking an optimum balance of IT opportunities and IT requirements. Consequently, no long-term plans and short-term goals were set for optimum use of IT assets. Moreover, there was no Planning/Steering Committee to oversee the IT function reporting to the Board of Directors/Senior Management. Importantly, IT function was not monitored as a cost centre to ensure that the benefits derived there from were cost justified. In fact IT assets were being acquired by various departments independently on *ad hoc* basis without a clear relation to business requirements; various departments of the Company had so far acquired IT assets worth Rs.2.28 crore

The Management while noting the audit observations stated that the Company is working out an IT strategy. It was further stated that an experts committee for advice/ teams to study the requirements have been set up and the future investments would be justified.

Deficiencies in development of computer applications

2.3.7 It was noticed in audit that though the Company had implemented many computer information systems investing significant sums in computer hardware, software and facilities, no structured approach for development and implementation of various computer applications has been adopted. The Company did not have a proper procedure for requests for proposals and their evaluation, and alternate courses of action satisfying the business needs were not considered by making a thorough technical and economic feasibility study.

There was no documentation, which contained critical information such as the nature and scope of each system development project. It was noticed that no documentation regarding the proposals for development of the payroll package and main accounts packages were formally made but these were developed in an *ad hoc* manner without covering all aspects of the payroll/accounts and fully automating the same. No user manuals/operation manuals were prepared. Though software packages were frequently changed to meet the various needs of the users no documentation of changes were available indicating the same.

The Management stated that structured approach was not adopted due to financial constraints and absence of technical staff and that the future projects would have a component of Facility Management Service to oversee the projects.

The main functions computerised in the Company are Stores, Payroll and Financial Accounts. Audit observations on deficiencies in each of them are given below:

Stores accounts

2.3.8 The system was developed by APTECH at a negotiated price of Rs.17 lakh in 1997. In August 2000, however, status report by Sr. Manager (Finance) indicated many lacunae in the package. The Company then belatedly realised that the software supplied was not the one promised by the firm, and further it could not satisfy several laws like the Companies Act, 1956. However, when APTECH was addressed during July 2001 to complete the project it replied that the project could be completed only if the Company agreed to introduce new technologies since the technology adopted and the work done at the Company was outdated. The Company was, thus, constrained to use the package only to a limited extent in stores and inspection sections to handle receipts and indents of materials and it was forced to maintain the inventory data in Kardex systems.

The accounts section of the Company used a FoxBASE application to handle accounts of inventory keying in again the data from stores, purchase and cash sections. The package had many deficiencies such as:

- system accepting issues more than stock on hand;
- non prompting of minimum, maximum, reorder level and economic order quantity;
- non-supporting of classification into high, medium and low value stores (ABC analysis); and
- non-validation on completion of a purchase order and not generating quantity of purchase orders pending.

It was also noticed that the master table of stores contained blank descriptions (326 items), duplicates (8,114 items) and junk descriptions (126 items). Out of 83,358 records the balances of items involving Rs.36.03 lakh was indicated as negative at the end of 2004-05, as if the material issues made were over and above the balance held in stock. Reports from such database are bound to be inaccurate and hence not useful for decision-making.

It was further observed that the finished goods accounting were yet to be computerized and the purchase section was partially computerised. Similarly, only about half of engineering spares were computerised in purchase section. Thus, the information relating to a large number of stores remained outside the computer system. Importantly the master table of stores section contained 80,000 records against only 50,000 records in master tables of finance section. This also led to non-linking of purchase orders to receipts and indents necessitating frequent addition of items to master tables in finance section.

The Management noted the audit observation and stated that the Company had constraints of insufficient IT personnel and it will be ensured that safety measures are incorporated in future systems.

Payroll package

Lack of key controls rendered the payroll package vulnerable to risk of incorrect payments.

2.3.9 The Payroll package of the Company was running in COBOL/UNIX database up to the year 2000. The Company, in the year 2000, developed in house with some hired help a new package in ORACLE/Developer 2000. The package serves the purpose of handling payroll of about 2,800 employees.

It was noticed in audit that certain important changes effected were not frozen by the system, for example retired and dead cases once marked could be revived by removing the flag or changing them and the authorities sending the soft copies did not authenticate the inputs.

It was further noticed that though the attendance of the employees was recorded through "Badge Reader" machines, but in cases where the employees swiped the bar coded cards provided to them, no attempt was made to link the attendance details to payroll directly. Instead machine data was downloaded to a data base file and posted to manual ledgers and at the end of each month a detailed statement was sent to payroll section indicating details of admissibility of hazardous allowance, attendance incentive, overtime, recovery to be made for absence, etc. Due to non-linking of card readers to payroll, information flow was slow, the attendance particulars furnished were required to be modified in subsequent months as and when various departments provided more information. Thus, much of payroll work was still carried out manually with associated risks of data entry error.

Audit also observed that data entry of basic pay was not validated for a range of minimum and maximum of a pay scale and in case of non release of increment, the system did not support reduction of pay automatically as per practice. The system did not prompt for increments due and instalments/balances of recovery of advances were also not prompted or updated automatically. Dues in respect of electricity charges continue to be watched manually. Similarly, the entitlement of several allowances, category of employee for attendance incentive was not determined by the system but was manually keyed-in.

Though the master tables containing the entitlements of all the employees had been populated in the year 2000 and were constantly undergoing changes by way of addition, deletion and modification, audit trails of users who caused the changes were not provided for. Moreover, the master table maintained was not independently checked with the personnel department. It was seen that the number of employees as per data base varied with the information published by the Company in its annual reports. It was noticed in audit that Payroll data table relating to 2003-04, furnished by the Company contained 462 cases of payments involving Rs.10.49 crore, which was found in the database of 2002-03 also. It was stated that duplication in the data table was required for making arrears of DA calculations for the period January to March of previous year, which indicated the limitations of the design of the package.

The Management stated that all the observations would be taken care of in the proposed study being undertaken.

Main Accounts (Financial Accounts)

Lack of key controls exposed the system to risk of incorrect and inaccurate reports being submitted for management decisions.

2.3.10 It was noticed in audit that the process culminating in the finalization of Main accounts were being run on a variety of applications. The Main Accounts of the Company were being processed using an application package in FoxBASE in finance section at Bhadravathi, since 1998-99. The inputs to the package were received from different departments in batches. Further, inputs also comprised of Cash accounts maintained with Visual FoxPro and bank transactions compiled in FoxBASE. Transactions compiled in MS Access at Bangalore office and sales transactions compiled in 'TALLY' software from branches and Bangalore office were received. Manual journal entries summarizing transactions were received from various other units of finance section. Thus, different branches were running programs in different platforms. As the master tables were not common to all sections, the errors had to be identified at the EDP Section and communicated for corrective action back to different sections.

It was noticed in audit that the system had the following deficiencies:

- The system did not support calculation of depreciation charges but were keyed-in after manual calculation.
- The package accepted data keyed-in without validations for dates. It was noticed that 468 transactions (260 Debit items valuing Rs.35.97 crore and 208 Credit items valuing Rs.36.23 crore) were shown as relating to year 1905.
- The package did not support self balancing of transactions as total of debits and credits did not tally in some data tables.

The Management noted the observations and stated that safety measures would be incorporated in future systems.

Access Controls and Segregation of duties

A strong system of physical and logical access control did not exist.

2.3.11 Password controls were found to be poor and there was no provision to prevent the password to be same as user IDs. There was no mechanism to detect and act upon unsuccessful log-ins and there was no restriction of number of unauthorised attempts. Moreover, there was no firewall to protect the data and systems from intrusions from internet and public network. It was also observed that access to important servers was not under lock and key and employees and visitors were seen to be having free access to the server room. No segregation of duties was observed for functions like data entry, system administration, system development and maintenance, change management and security administration; no job description documents were maintained.

The Management noted the observations and stated that safety measures would be incorporated in future systems.

Business Continuity Planning and Data security

There was no well developed business continuity plan to take care of IT assets in case of disasters.

2.3.12 No IT continuity plan was drawn up. Moreover, no procedures and guidelines were in place to retain source documents so that data was reproducible and to facilitate reconstruction in case of disasters. This was important as many packages were running in older versions of FoxBASE and ORACLE.

The Management noted the observations and stated that safety measures would be incorporated in future systems.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Company and officers of the Government at various stages of conducting the performance review. The matter was reported to the Government (August 2006); their reply is awaited (September 2006).

Conclusion

The Company having spent a large sum of money substantially computerising its activities has not been able to get the desired benefits. This was mainly due to lack of an IT strategy not only in acquisition and development of a large number of IT systems but also in their maintenance. The applications dealing with Stores, Payroll and Accounts have serious design deficiencies and are being run in a poorly controlled environment posing a risk to the integrity of the information processed and contained therein.

Recommendation

Immediate measures should be taken to address the deficiencies in the acquisition and development of the IT systems dealing with Stores, Payroll and Accounts.

CHAPTER III

PERFORMANCE REVIEWS RELATING TO STATUTORY CORPORATIONS

3.1 KARNATAKA STATE WAREHOUSING CORPORATION

CONSTRUCTION AND OPERATION OF WAREHOUSES

Highlights

Land was purchased without cost-benefit analysis, flouting important parameters viz., accessibility of land etc. Land purchased at 24 locations, during the period under review, at a cost of Rs.3.25 crore and at 17 locations purchased for Rs.0.30 crore before the review period are lying vacant for periods ranging from one to four years and six to 23 years respectively. The sub-committee formed to recommend on the suitability of land for construction of godown remained ineffective as it met only once and identified only six sites for purchase.

(Paragraph 3.1.9)

There was delay ranging from 4 to 28 months in constructing godowns under 'State of Art' technology. The godowns constructed under 'State of Art' technology utilised excess space of 11,767.66 square metre at an extra cost of Rs.7.67 crore as compared to creation of the same storage capacity under the conventional method.

(Paragraph 3.1.16)

The Corporation incurred additional interest burden of Rs.4.12 crore by not availing loan available at cheaper rates and drawing instalment of loans without considering the progress of work.

(Paragraph 3.1.18)

Introduction

3.1.1 The Corporation established (November 1957) under the Agricultural Products (Development and Warehousing) Corporation Act, 1956 started functioning in 1958. Consequent on enactment of the Warehousing Act, 1962, the Corporation is deemed to have been established under Section 2 (k) of the said Act.

The main functions of the Corporation, *interalia*, include construction of godowns, storage of agricultural products, fertilizers, manures, cement etc., and to undertake clearance of goods to and from the godowns, transportation, provide disinfestation services to farmers, co-operatives and traders.

Scope of audit

3.1.2 The performance review covering the activities relating to construction and operation of warehouses by the Corporation from 2001-02 to 2005-06 was conducted during October 2005 to March 2006. Construction of 37 out of 50 godowns constructed and purchase of land at 25 locations out of 34 purchase cases during the period were reviewed. Records of four[1] Regional offices and 19 warehouse centres (13 having capacity above 10,000 metric tonne (MT), three between 5,000-10,000 MT and three below 5,000 MT) out of the six[2] Regional offices and 116 warehouse centres were test checked.

Audit objectives

3.1.3 The Performance review was conducted with a view to ascertain whether:

- proper and adequate storage facilities were constructed/created and made available to consumers in an economic and efficient manner at the right time and at the right location;
- hiring/de-hiring of private storage capacity was done economically and efficiently;
- funds were borrowed economically and utilised properly;
- proper measures were taken to minimize losses of food grains during storage; and
- norms for deployment of manpower were adhered to.

Audit criteria

3.1.4 The Audit criteria considered for assessing the achievement of audit objectives were the following:

- guidelines and instructions/directions issued for purchase of land and construction of godowns;
- codal provisions for entrustment of execution of works, locations prescribed in the scheme and budget for construction of godowns;
- directions of Government regarding occupancy, utilisation of godowns;
- effective utilisation of funds of the schemes;
- provisions of Warehouse Act regarding operations; and
- norms for deployment of manpower.

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[1] **Gulbarga, Raichur, Mysore and Shimoga**

[2] **Bangalore, Gulbarga, Hubli, Raichur, Mysore and Shimoga.**

Audit methodology

3.1.5 The methodology adopted for attaining the audit objectives with reference to the audit criteria was as follows:

- Examination of Government Orders, minutes of Board of Directors and Technical committee meetings regarding acquisition of lands and construction of godowns;
- Examination of Project Reports;
- Scrutiny of records relating to construction of godowns and purchase of land;
- Scrutiny of records and returns relating to occupancy ratio, performance of warehouses, fixing of rent for godowns hired;
- Issue of audit enquiries; and
- Interaction with the management.

Audit findings

3.1.6 Audit findings, emerging as a result of test check were reported to the Corporation / Government in June 2006 and discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 13 September 2006. The meeting was attended by the Principal Secretary to Government of Karnataka, Co-operation Department and the Managing Director of the Corporation. The views expressed by the representatives of the Corporation/Government have been taken into consideration while finalizing the report.

Capacity utilisation

3.1.7 The Corporation is providing storage facility to the depositors. The occupancy of the godowns during the period from 2001-02 to 2005-06 is detailed below:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
	Operation					
1	No. of warehouse centres	107	109	116	116	116
2	Capacity (in lakh MT) at the end of year					
	- Owned	3.30	3.46	4.05	4.76	4.98
	- Hired	3.73	3.07	2.42	2.35	4.07
	- Total	**7.03**	**6.53**	**6.47**	**7.11**	**9.05**
3	Average capacity	7.45	6.69	6.64	7.11	8.55
4	Average occupancy	6.40	5.45	4.35	4.54	6.40
5	Percentage of occupancy to capacity	85.9	81.4	65.5	63.9	74.8

It would be evident from the table that the average occupancy which decreased from 6.40 lakh MT in 2001-02 to 4.35 lakh MT in 2003-04 and 4.54 lakh MT in 2004-05 recovered back to 6.40 lakh MT only in 2005-06. The percentage of occupancy to the capacity also varied from 85.9 *per cent* in 2001-02 to 74.8 *per cent* in 2005-06.

The Management attributed (June 2006) reasons for poor occupancy during these years to the drought situation in the State and also stated that the performance of each centre was being analysed/reviewed in the Regional Managers and Warehouse Managers meeting from time to time.

Creation of new capacities

3.1.8 During the five years ending 31 March 2006, the Corporation constructed 50 godowns (26 godowns under the conventional method and 24 under the 'State of Art' method) with a total capacity of 2.165 lakh MT at a cost of Rs.59.90 crore. It also purchased land at 34 locations for a total amount of Rs.6.43 crore.

A review of records relating to purchase of land and construction of godowns revealed that these were undertaken on *ad hoc* basis without proper planning/ evaluation as is evident from the following paragraphs:

Purchase of land

Land was purchased without cost-benefit analysis, flouting important parameters viz., accessibility of land etc. The sub-committee formed to recommend on the suitability of land for construction of godown remained ineffective as it met only once and identified only six sites for purchase.

3.1.9 It is of vital importance from the business point of view to assess the potential of the location before purchase of land. The land to be purchased should be easily accessible by road and rail, should be close to the regulated markets, etc. Keeping this in view, the Board constituted (September 2000) a sub-committee consisting of the Managing Director, Administrative Officer, two non-official Directors and a nominee of the State Bank of India to recommend on the suitability of the land for construction of godowns.

During April 2001 to October 2005, the Corporation purchased land at 34 locations, in some places along with buildings/godowns at a total cost of Rs.6.43 crore.

Audit scrutiny revealed that:

- The Board cleared proposals for purchase of land on a case-by-case basis without any cost-benefit analysis, evaluation of the pay-back period and identification of the source of funding.

- The sub-committee met only once in March 2001 and recommended for the purchase of six sites that it had identified in January 2001. Thereafter, the sub-committee did not function.

- As of March 2006, land at 17 locations purchased before 2001-02 at a total cost of Rs.0.30 crore remained unutilised for 6 to 23 years. The land purchased at 24 locations during the period under review for Rs.3.25 crore also remained unutilised for one to four years.

- Construction of seven out of the 50 godowns constructed during the period of review was undertaken after 7 to 16 years of purchase of the land. It was noticed during audit that land had been purchased flouting parameters to be observed in selection. The Management agreed (June 2006) to follow the norms like potentiality, accessibility, evenness of land etc., before purchase.

- The State Government directed (May 2003) the Corporation to immediately stop purchase of land from private parties as it had come to their notice that the Corporation had bought land from private parties at 3-4 times the market price and also furnish the relevant records of such purchases during the previous four years for their verification. There was no record to indicate that the relevant records as directed by the Government were produced. However, the Corporation as per decision of the BODs, purchased land at three locations during November 2003 to October 2005 from private parties at Rs.1.90 crore.

The Management stated (June 2006) that guidelines for purchase of land would be framed for approval of the BODs, which would be followed strictly in future.

Some of the individual irregularities noticed in purchase of land are discussed below:

Bilichodu Village, Jagalur taluk

3.1.10 The Corporation received (January 2004) a unilateral offer from Sri.S.K.Veerana, for sale of his property consisting of a cinema theatre with land and building. The property was inspected (August 2004) by the officials of the Corporation who reported that it was not suitable as the business in the area was seasonal and the same could be utilised as a seasonal warehouse only. The Corporation was also aware of this fact as it had hired (March 2004 to October 2005) the same property for storing maize and earned negligible storage charges of Rs.0.65 lakh against rent of Rs.0.55 lakh. Thus, the decision of the Board of Directors to purchase the above property in October 2005 at a cost of Rs.29 lakh was not justified.

The Management stated (June 2006) that the local Member of the Legislative Assembly had recommended purchase of the property to open warehouses; that the Chairman, the Managing Director and the Director had also opined that the property was suitable for warehousing activities. The reply further stated that the place had the potential to develop as a good business centre. The reply is not acceptable as the requirement could have been easily met by hiring godown as was done earlier.

Annur Village, Maddur taluk

3.1.11 Annur Paper Mills unilaterally offered (February 2003) to sell its land of 1.5 acre along with buildings and godowns (1,622 square metre). In respect of this property, the officers of the Corporation reported (March 2003/ June 2004) that the godowns on the property were constructed specifically for industrial purpose and required lot of modifications for usage as a warehouse, no clear approach road for the movement of vehicles from the main road was there and the occupancy in its own godown of 6,000 MT in the same area was very poor (15 *per cent*). Further, the Corporation was also aware that the said land was auctioned (June 2004) by Karnataka State Industrial Investment and Development Corporation Limited at Rs.22 lakh to a partner of Annur Paper Mills. In spite of this, the Corporation purchased this property (August 2005) at a cost of Rs.68.15 lakh (as fixed by the BODs) against the auction price of Rs.22 lakh without justification. The land has not been put to use so far (August 2006).

The Management stated (August 2006) that the Board had decided (August 2006) to recover the amount already paid to the owner of the property. Recovery of the amount is awaited (August 2006).

Ummadahalli, Mandya

3.1.12 Based on the recommendations (March 2001) of the sub-committee, the Board decided (July 2001) to purchase a property of 5 acre 34 gunta at Ummadahalli near Mandya. While the transaction was under finalisation, the Corporation received a complaint (April 2004) that the land was 2-3 feet below the road level and surrounded by irrigated land with narrow approach. Without verifying the facts of the complaint, the property was purchased (July 2004) at a cost of Rs.55.44 lakh. This land also remained vacant till date (August 2006).

The Management stated (September 2006) that the approach road to the purchased land was wide enough and added that there was a proposal to build a 10,000 MT capacity godown on the land. The reply is not acceptable as land purchased in July 2004 to construct a godown remained unutilised and the Corporation continued hiring private godowns in the area.

Shikaripura

3.1.13 Arihant Rice Industries, Shikaripura unilaterally offered (August 2002) to sell two acre of land with two godowns of 2,150 MT capacity for Rs.73.98 lakh. It was reported (August 2002) by the officers of the Corporation that the godowns were not suitable for storage in view of weak truss requiring strengthening and recommended continuation of the existing system of hiring. The Board, however, decided (November 2002) and purchased (February 2003) the property at Rs.55 lakh. It was, however, noticed in audit that the Corporation had been hiring godowns before this purchase in the same area for short periods (November to February) to store maize and against the payment of annual rent of Rs.0.58 lakh it had earned only Rs.2.23 lakh during December 2001 to February 2003. Thus, the purchase of property at a cost of Rs.55 lakh lacked justification.

Bangalore and Srirangapatna

3.1.14 In order to meet the demand of the farmers to provide cold storage facilities and storage for agricultural produce in Bangalore, the Chairman of the Corporation directed (April 2000) the management to expedite purchase of the required land for the purpose. The Corporation invited tenders (April 2000) for purchase of land for the purpose. Land measuring 6,020 square feet was purchased (July 2001) from one Sri. Kubere Gowda for Rs.57.90 lakh in spite of the adverse report of a sub-committee about narrow approach road to the land. Further, on the basis of a unilateral offer of a private party, the Corporation also purchased (May 2002) one acre of land with two godowns situated eight kilometres from Srirangapatna at a cost of Rs.32.76 lakh.

The property at both the places could not be utilised due to lack of business, the BODs decided (June 2003) to dispose of the property and also directed the management to take action against the officers/officials responsible for the purchase. No action has been taken so far. The above transactions resulted in blocking up of funds of Rs.90.66 lakh.

The Management accepted (June 2006) the facts and stated that action would be taken to dispose of the land. The reply was, however, silent about action for fixation of responsibility in these cases.

Yeliyur, Mandya

3.1.15 As per decision of the Board, the Corporation purchased (June 2003) land measuring 151 gunta with godowns situated at Yeliyur, Mandya. This was in spite of the adverse remarks on suitability of the land by both the sub-committee (January 2001) and the Regional Manager (January 2003). The land purchased at Rs.36 lakh remained unutilised (July 2006).

The Management stated (June 2006) that the land would be disposed off after placing the matter before the Board.

Construction of godowns

3.1.16 To meet the growing demand for increased storage, the Corporation embarked on construction of godowns under 'State of Art' technology which required six months to complete as against 24 months under the conventional method. Besides, the 'State of Art' warehouses were more durable, elegant and leak proof. The Board approved (February 2001) construction of a warehouse under the 'State of Art' technology at Koralur on a pilot basis. The Managing Director, without the prior consent of the Board, entrusted construction of 25 godowns (23 godowns in July 2001 and two godowns in March 2002/April 2003) to Larsen & Toubro Limited (firm) on a turnkey basis, at a negotiated price of Rs.47.11 crore under the 'State of Art'

There was delay ranging from 4 to 28 months in constructing godowns under 'State of Art' technology. The godowns constructed under 'State of Art' technology utilised excess space of 11,767.66 square metre at an extra cost of Rs.7.67 crore as compared to creation of the same storage capacity under the conventional method.

technology. The firm constructed 24 godowns[3] at a cost of Rs.42.63 crore. Simultaneously, the Corporation also got constructed 26 godowns at a cost of Rs.17.27 crore under conventional method. The construction of these godowns were to be completed within six months from the date of award.

Audit scrutiny revealed that:

- None of the 24 godowns constructed under 'State of Art' technology was completed within the stipulated time. There was delay of six months in respect of two godowns and delays ranging from 12 to 28 months in respect of 22 godowns. While the delay under conventional method was less, it ranged from 1 to 25 months in respect of 18 godowns. Thus, the very purpose of going in for 'State of Art' Technology was defeated.

- There was further delay of 1 to 29 months in the commencement of commercial operation of 29 godowns even after their completion. The reasons for delay were not on record. These delays resulted in hiring of godowns by incurring rent of Rs.2.74 crore (April 2000 to March 2006).

- Despite the decision of the Board to go in for only one godown under 'State of Art' technology, the Corporation undertook construction of a large number of godowns. The godowns constructed under 'State of Art' technology utilised excess space of 11,767.66 square metre, incurring additional cost of Rs.7.67 crore as compared to creation of the same storage capacity under the conventional method.

Fund Management

3.1.17 During the five years ending 31 March 2006, the Corporation constructed 50 godowns under the following schemes:

Sl. No.	Source of funding	Agencies©	No. of godowns constructed	Capacity (in lakh MT)	Value (Rs. in crore)	Borrowings (Rs. in crore)
01	Own funds	KSSIDC	02	0.025	0.54	0
		HSCL	11	0.35	8.13	0
02	RIDF -V	HSCL	07	0.16	3.57	1.96
03	RIDF - VI	HSCL	06	0.18	5.03	4.39
04	External borrowings – banks/ State Government	L&T	24	1.45	42.63	41.40
Total			**50**	**2.165**	**59.90**	**47.75**

[3] For want of land, construction of Mandya godown was not taken up.

© Karnataka Small Scale Industries Development Corporation Limited (KSSIDC); Hindustan Steel Works Construction Limited (HSCL) and Larson and Tourbo Limited (L&T).

A review of fund management by the Corporation revealed the following:

The Corporation incurred additional interest burden of Rs.4.12 crore by not availing loan available at cheaper rates and drawing instalment of loans without considering the progress of work.

3.1.18 Under the Rural Infrastructure Development Fund Scheme (RIDF) the Corporation was eligible for loan upto 90 to 95 *per cent* of project cost at an interest rate of 6.5 *per cent*. The Corporation, however, did not explore this possibility and instead availed loan of Rs.41.40 crore from banks and the State Government at interest rates ranging from 9.61 to 12 *per cent* in respect of 24 godowns. As a result the Corporation incurred extra expenditure of Rs.2.45 crore on interest. The Management stated (June 2006) that in view of urgency to meet the demand of maize procurement and Food for Work Schemes, these works were not placed before Cabinet Sub-committee for getting finance under RIDF. The reply is not acceptable as the Board failed to consider the availability of loan at cheaper interest rates under RIDF.

Further, due to lack of co-ordination between the Engineering and Finance Departments, the loans were drawn as per schedule without linking drawals to the progress of work. This resulted in incurring of additional interest of Rs.1.67 crore for the delayed period of construction.

Delay in release of subsidy under Gramin Bhandaran Yojana (GBY)

3.1.19 As per the subsidy scheme under GBY, the Corporation is eligible for subsidy for setting up godowns for storing agricultural products of the farmers in rural area. The National Bank for Agriculture and Rural Development (NABARD) releases 50 *per cent* of the eligible subsidy as advance and the balance is released to the lending bank after inspection by a Joint Committee♦. The entire subsidy released to the Bank was to be adjusted against the loans.

NABARD sanctioned (December 2003) subsidy of Rs. 5.33 crore for the construction of 22 godowns under the 'State of Art' technology and released (June 2003) Rs.2.67 crore (50 *per cent* of subsidy) to the lending bank. Though the construction of godowns was completed between June 2003 and September 2005, the balance subsidy of Rs.2.57 crore was yet to be released (August 2006) due to non-inspection by the Joint Committee. Consequently, the Corporation incurred an additional interest burden of Rs.1.25 crore (August 2006) on the loans drawn from the State Bank of India at higher rates to meet the deficit in subsidy.

The Government stated (September 2006) that after completion of inspection by the Joint Committee, action would be taken to get the balance subsidy released.

Irregular funding

3.1.20 There is no provision for funding private parties for construction of their godowns under the State Warehousing Act. This was also reiterated by the Finance wing of the Corporation. In spite of this, the Managing Director extended between January 2001 and April 2004, advances of Rs.62.22 lakh to private parties for construction of godowns in Mandya and Shimoga. The

♦ **consisting of officers from NABARD, lending bank and Director of Marketing and Inspection of the concerned State.**

Corporation had taken these godowns on hire after construction and recovered the advance to the extent of Rs.56.92 lakh from the rent. The Corporation is yet to recover (August 2006) balance advance of Rs.5.30 lakh. It was noticed in audit that in respect of 12 godowns in Mandya, for which advances were provided, the average percentage of occupancy declined from 88 *per cent* (2001-02) to 21.5 *per cent* (2005-06). In spite of this, the Corporation continued to occupy these godowns on rent to facilitate clearance of the advance given for the construction.

The Management while concurring with Audit stated (June 2006) that it would not provide such advances in future.

Performance of warehouses

3.1.21 The financial performance of the warehouses for the last five years ending March 2006 was as below:

Year	No. of centres	Operating profit (Rs. in crore)	Profit centres		Loss centres	
			No. of centres	Amount (Rs. in crore)	No. of centres	Amount (Rs. in crore)
2001 – 02	107*	9.38	68	9.25	10	0.13
2002 – 03	109	12.56	95	12.45	14	0.11
2003 – 04	116	11.93	90	11.70	26	0.30
2004 – 05	116	10.50	88	9.84	28	0.64
2005 – 06	116	11.84	87	12.27	29	0.50

*** Information regarding Bangalore and Shimoga regions is not available.**

It would be evident from the table that the operating profit showed a declining trend from the year 2002-03 onwards and showed marginal improvement in 2005-06. The number of centres, which incurred operating losses, increased from 10 in the year 2001-02 to 29 in the year 2005-06 and the operating loss for the year increased from Rs.11.04 lakh in 2002-03 to Rs.64.24 lakh in 2004-05 and marginally decreased to Rs.50 lakh in 2005-06. Further, review of the performance of centres revealed that all the loss making centres, except three in 2003-04, could not even recover their establishment and godown rents ranging from Rs.12.42 lakh to Rs.42.53 lakh during the same period. The Corporation had no system of analysing the performance of centres.

The Management stated (September 2006) that action has been initiated to identify loss making centres and redeploy the officials.

Non-occupation of godowns

3.1.22 The Karnataka State Beverages Corporation Limited (KSBCL) requested (June 2003) the Corporation to provide storage facilities for their products. The Corporation decided (June 2003) to provide the cellar floor of four godowns of 17,542 square feet in Mysore centre for Rupees five per square feet. The godowns were handed over to KSBCL in June 2003. The

KSBCL requested (March 2004) the Corporation to take back the godowns as in the absence of storm water drain the rain water entered the area causing damage to their commodity. KSBCL handed over (March 2004) the possession of the godown to the Corporation. Another customer, who agreed to hire (October 2005) 12,000 square feet at Rs.3.50 per square feet, did not occupy the godown for the same reason. On this being pointed out by Audit, the Corporation rectified the drainage system and thereafter gave it on hire to another party from April 2006. Due to delay in construction of storm water drains, the Corporation was deprived of revenue of Rs.21.12 lakh for the period April 2004 to April 2006.

The Management stated (June 2006) that the drainage problem had been rectified and that the godowns had been occupied by Vijayananda Road Lines since April 2006. The Management took corrective action after this was pointed out by Audit.

Storage and transit losses

3.1.23 The Food Corporation of India (FCI) is one of the bulk depositors in the godowns of the Corporation. As per agreement, FCI admits transit loss of one *per cent* of the quantity received and storage loss of 0.5 *per cent* of the quantity released in the case of rice and no storage loss is allowed in the case of wheat. Any loss in excess of the limits fixed is to be borne by the Corporation. In respect of transit loss during transportation, the concerned Warehouse Manager is required to prefer the consignor claim with the Indian Railways on behalf of the FCI, within 24 hours of receipt of stock at railhead.

It was, however, noticed in audit that FCI after admitting the permissible loss, recovered Rs.96.51 lakh and Rs.36.01 lakh from the Corporation on account of excess storage loss and transit loss respectively during the period from 1987-88 to 2005-06. The Corporation did not initiate action to identify the exact cause of storage loss exceeding 0.5 *per cent*. Further the decision of FCI to withhold Rs.36.01 lakh towards transit loss was not justified as the Corporation had raised the consignor claims with the railway authorities in time.

The Government stated (September 2006) that the FCI has accepted the claim and would reimburse the entire amount.

Performance of weighbridges

3.1.24 The Corporation has 20 weighbridges (10 prior to 1998 and 10 after 2004) installed at a cost of Rs.1.17 crore.

A review of the performance of weighbridges for the five years ending March 2006 revealed that out of the total income of Rs.83 lakh from these weighbridges, Hassan and Tumkur Unit-I, alone contributed Rs.74 lakh. All other weighbridges contributed only Rs.6.67 lakh. Five weighbridges costing Rs.31.69 lakh did not earn any income, the reasons for which has not been analysed by the Corporation.

The Management stated (June 2006) that they would exploit all possibilities to earn more revenue in future.

Manpower

3.1.25 As on 31 March 2006, the Corporation has six Regional Offices each headed by a Manager and 116 warehouses with a total working strength of 360. It was noticed in audit that the Corporation had not fixed norms for manpower requirement.

The Government stated (September 2006) that norms would be proposed before the Board and would be implemented in a phased manner.

Internal audit

3.1.26 The Corporation has an Internal Audit wing, headed by an Internal Audit Officer with five assistants, under the direct control of the Managing Director. The Corporation does not have an Internal Audit Manual defining the scope, coverage and periodicity of audit.

The Internal Audit wing audited only some of the warehouses, out of the total 116 centres, during the five years ended 2005-06, as detailed below:

Year	No. of warehouses audited
2001-02	47
2002-03	46
2003-04	70
2004-05	26
2005-06	9

As on 31 March 2006, audit of Hangal and Tumkur-II centres (5,000-10,000 MT capacity) and 16 centres below 5,000 MT capacity had not been conducted during last five years.

In view of the above the functioning of the Internal Audit wing was ineffective and the coverage inadequate. This fact had also been repeatedly commented upon by the Statutory Auditors in their reports on the accounts.

The Management stated (June 2006) that an Internal Audit Manual would be prepared ensuring adequate coverage.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Corporation and also the officers of the Government at various stages of conducting the performance review.

Conclusion

The Corporation did not have a proper plan for the purchase of land, construction of godowns and their utilisation. Land was purchased without assessing its suitability, requirement, etc., and in some cases on the basis of *suo moto* offers made by private parties for sale of land, and in one case even after an adverse report from officers of the Corporation. The Corporation also paid exorbitant rates for purchases in some cases. The sub-committee formed to recommend on the suitability of land for construction of godowns remained ineffective as it met only once during the last five years and identified only six sites for purchase. There were delays in construction of godowns as well as in the commencement of commercial operation of godowns after construction leading to godowns being taken on hire. Deficient fund management also led to higher interest outgo.

Recommendations

- **The Corporation should evolve a long-term comprehensive plan for purchase of land and construction of godowns so as to provide service efficiently at economical rates.**

- **The functioning of the sub-committee should be made more effective so that suitable land and property are acquired at economical rates.**

- **Land should be purchased in a transparent manner only after ascertaining its suitability and requirement, and reasonability of the prices quoted. The cases of purchases of land pointed out in the review need investigation to fix responsibility.**

3.2 KARNATAKA STATE FINANCIAL CORPORATION

INFORMATION TECHNOLOGY AUDIT OF 'ON-LINE SYSTEM'

Highlights

Not negotiating for the lowest rates quoted for individual items while purchasing hardware for implementation of the 'On-line systems' resulted in avoidable extra expenditure of Rs.30.14 lakh.

(Paragraph 3.2.7)

The application packages lacked many in-built controls and validations to safeguard against incorrect data entries and proper process of data making the information generated by the system not reliable in many areas.

(Paragraphs 3.2.8 to 3.2.10)

The Management has not formulated any policy regarding physical and logical security of IT assets including software and existing data. Insufficient security features in respect of access control, passwords and login control rendered the system vulnerable to unauthorised access and data manipulation.

(Paragraphs 3.2.11 and 3.2.12)

The Disaster Recovery and Business Continuity Plan was neither approved by the Board nor uniformly followed. The data backup was not periodically checked to ensure recovery of data.

(Paragraph 3.2.14)

Introduction

3.2.1 Karnataka State Financial Corporation was established in March 1959 under section 3(1) of the State Financial Corporations Act, 1951 with the main objectives of promoting and developing industrial growth in the State of Karnataka by providing financial assistance in the form of term loans, equity participation, equipment leasing, etc. In the recent years, the activities have been mainly confined to term lending, catering to small and medium scale industries. The Corporation, headquartered at Bangalore, with seven Zonal Offices and 30 Branch Offices is headed by a Chairman and the Managing Director nominated by the State Government, who is assisted by two Executive Directors and six General Managers.

The Corporation, which has been using computers since 1983, established an in-house computer centre in 1985 headed by an Assistant General Manager, mainly for development and maintenance of various applications. The Corporation has an 'On-line system' with 11 modules to facilitate its core activities.

Scope of audit

3.2.2 Audit evaluated the IT controls in the 'On-line systems' of the Corporation for the year 2004-05, which was extended to earlier years wherever required.

Audit objectives

3.2.3 The audit objective was to evaluate the effectiveness, reliability and integrity of the 'Loan Management System' module of 'On-line systems' in particular and other modules, in general, at the Head Office of the Corporation in Bangalore.

Audit criteria

3.2.4 Audit criteria considered for assessing the achievement of audit objectives were manual data; electronic data, wherever made available, and manuals for the implementation of computerisation in the Corporation.

Audit methodology

3.2.5 The sample data of the information contained in data tables received from the IT Department of the Corporation in the form of an Export Dump was scrutinised using the generalised audit software – IDEA.

Brief history of on-line system

3.2.6 The objectives spelt out, for taking up the 'On-line systems', among other things, were to bring in improvement in efficiency and effectiveness, make decisions qualitative through accurate and timely information and monitor projects easily. The 'On-line systems' was to upgrade the relatively stale information existing in the 'batch processing systems' that were in use, provide data on a continuous and updated format to clients/in-house users. As per the original proposal before the Board, 'On-line systems' was to be implemented in 1994-96, by establishing a network between the Head Office and all the branches. However, the 'On-line systems' was developed and implemented in phases over a period of five years (1994-1999), comprised of 11 modules viz., Appraisal, Inspection, Disbursement and Monitoring (IDM), Recovery, Loan Accounting, Finance Accounting, Bills Processing, Insurance, Fixed Deposit, Bonds Management, Line of Credit Systems and Lease Accounting. The actual cost of implementation of the project was

Rs.4.51 crore. The proposal of networking, however, remained unfulfilled and the on-line system was made operational independently in all the branches.

Extra expenditure due to improper evaluation of bids

Non-negotiation for lowest rates quoted for individual items while purchasing the hardware resulted in avoidable extra expenditure of Rs.30.14 lakh.

3.2.7 The Board approved (January 1999) the implementation of the on-line computerisation in the Corporation at a cost of Rs.4.10 crore. However, the tenders were invited in December 1998 itself and the quotations were taken only from four vendors[$]. No justification for resorting to limited quotations for such huge procurement, instead of calling for open tenders to avail the benefit of competitive bids, was on record. The Corporation then split the requirement of hardware among all the four parties and placed orders. It was noticed in audit that the Corporation paid different prices for the same items amounting to Rs.30.14 lakh. The Government stated (December 2005) that the orders for individual items on different vendors were not decided because of compatibility of equipments, after sales service and support. The reply is not tenable as the Corporation could have considered the lowest price of each item and asked the parties to match the same. Further, except one firm (WIPRO) other firms were not the manufacturers of items required and none of them manufactured UPS. Under the circumstances, the action of the Corporation in not negotiating for the lowest rates of individual items among the four vendors resulted in avoidable extra expenditure of Rs.30.14 lakh.

Deficiencies in design and development

Inadequate controls/validations in the system rendered it to be of limited use in facilitating the process of loan Appraisal, Inspection, Disbursement, Monitoring and Recovery as detailed below:

Data capture

The application package lacked many in-built controls and validations to safeguard against incorrect data entries and proper process of data making the information generated by the system not reliable in many areas.

3.2.8 It was noticed in audit that essential details of entrepreneurs like bank account number, passport/permanent account number, net worth, etc., were not mandatorily captured under the pre appraisal/technical appraisal menu. Similarly details regarding the various approvals obtained for a project to be financed, bankers' opinion, demand and supply forecast and rates of depreciation were not compulsorily entered. This seriously limited the usefulness of the information generated by the system to facilitate the process of loan appraisal. The Management stated that approvals of various authorities cannot be mandatory as it varies for different loanees and bankers' opinion contains a subjective element and hence cannot be uniform. The reply is not acceptable as some of the approvals to be obtained were common to all and it was against the provisions of the Loan Disbursement Manual of the Corporation to ignore bankers' opinion.

[$] **HCL INFOSYSTEMS Limited, WIPRO Limited, TATA IBM Limited and Compaq Computer Asia (P) Limited.**

Input control and validations

3.2.9 The system lacks input control and input validations as detailed below:

- In the pre-appraisal/technical appraisal menu, data keyed in was accepted by the system, without any validation checks like
  - Sanctioning of loans beyond the maximum prescribed limits;
  - cases of security offered;
  - jurisdiction of the branch sanctioning the loan; and
  - Promoter's contribution below the minimum prescribed for various schemes.

  As regards validating jurisdictions of branches, the reply of the Management that provisions were made to cover all places is not acceptable as against a district specified places outside the districts should be considered for rejection by the system. Similarly, the reply of the Corporation that validation of promoters' contribution was prompted by the system at the time of generating reports cannot be accepted as it could be overruled.

- In the master table of loan accounts, the next principal due date was beyond one year in 112 cases and extended even up to the year 2010. In a few cases, the next interest due date had already lapsed, i.e. it was less than even the current date. The next interest due date could not have elapsed when the next principal due date was beyond one year. The Management stated (August 2005) that the differences related to pre-closed cases. The reply is not acceptable as in such event a trail should be maintained to prevent loss of data integrity.

- In the Oracle table, containing data on Loan-wise/unit-wise rate of interest furnished to Audit, 7,531 records were there and an analysis of the data in the table disclosed that contracted rate of interest as well as penal rate of interest was zero in 24 cases. As rate of interest cannot be zero, 'nil' rate of interest in the above cases disclosed the lack of input validations. The Management replied (August 2005) that these are closed cases. The reply is not acceptable for the reason that the rates of interest should have existed even in such cases.

- Similarly, the table containing the details of sanction of loan furnished to Audit had 2,150 records and in respect of 123 cases, the rate of interest was zero. The Management stated (August 2005) that for rate of interest the data available in the accounts module is used. The reply is not acceptable as this deficiency in system design makes the rate of interest keyed in as redundant.

- In the Inspection, Disbursement and Monitoring module the system accepted earlier dates for a subsequent inspection and the entire amount sanctioned could be keyed in for disbursement in addition to the amount already released. Moreover, changes to repayment schedule affecting Debt Service Coverage Ratio were to be keyed in, though the same were available in the appraisal stage; loan repayment start date was to be entered in two stages of loan master table and loan repayment schedule table. It was also observed that the system did not support for recording approval of competent authorities for changes to repayment schedules.

Process control

Deviation from business rules

3.2.10 The system did not alert against deviations from the provisions of the Loan Disbursement Manual of the Corporation like non-inspection of the unit within three months of sanction of loan or when the party approached for disbursement, whichever was earlier. Further, the system did not prompt for inspections due subsequent to disbursement, periodical reminders to loanee in respect of undisbursed loan amounts and to call the borrowers for Project Implementation Review Committee (PIRC) meeting on due dates. Similar prompts in case of partially disbursed cases, to speed up the project implementation or call the borrower before PIRC and prompting communication in cases of cancelled/restricted loans by PIRC to borrowers within 10 days was not supported by the system.

General controls

The Management has not formulated any policy regarding physical and logical security of IT assets including software and existing data. Insufficient security features in respect of access control, passwords and login control rendered the system vulnerable to unauthorized access and data manipulation.

Non formulation of IT Policy

3.2.11 Though the Corporation has over the years developed substantial IT applications, it is yet to formulate and document a formal IT policy and a long term / medium term IT strategy incorporating the time frame, key performance indicators and cost-benefit analysis for developing and integrating various systems. No planning / steering committee with clear roles and responsibilities exist to monitor the development of software for each functional area in a systematic manner which led to avoidable losses and non achievement of objectives of the Corporation. The Government stated (December 2005) that an IT Policy would be formulated shortly with the approval of the management.

Access Control mechanism and segregation of duties

3.2.12 It was noticed that there was no access control matrix document prepared and got approved by the Board. No details of class of individual officers / staff who fall into different categories and how many are designated as System Administrators with full access rights were produced to Audit. Similarly, details of number of officers designated as Database Administrators and their tenure were not maintained. Moreover, duties and functions assigned to system administrators and database administrators were also not documented.

A group of officers were operating with a common password in Accounts Appraisal and IDM Modules. Thus, there was no structured implementation of and monitoring of any password policy. In the two branches visited by Audit, there were no clear guidelines from the Head Office with regard to framing of passwords and also change of passwords from time to time.

The Government stated (December 2005) that the above issues would be covered in the IT policy proposed to be formulated.

Inadequate Change Management Controls

3.2.13 It was noticed during audit that program changes were sent to branch offices as version patches on cartridges. In two branches test checked, the branches had not maintained any record to indicate the actual date of receipt of patch from the Head Office, actual date of copying of patch and the person who carried out the exercise. In the absence of a uniform method to be followed it may lead to a risk of loss of data integrity and incompatibility when all offices are networked. The Government stated (December 2005) that suitable action would be taken in case of future changes to programs.

Lack of adequate Disaster Recovery and Business Continuity Plan

The Disaster Recovery and Business Continuity Plan was neither approved by the Board nor uniformly followed. The data backup was not periodically checked to ensure recovery of data.

3.2.14 No policy was formulated and detailed procedure documented for recovery of data, programs and other software in case of disaster. In two test checked branches as well as in the Head office, it was noticed that there were no off-site backups of the data. Fire fighting equipments were not installed in the server room.

It was noticed in audit that there was no formal policy regarding the frequency of taking back up and test checking it for retrieval. In two test checked branches, the backup data were not being checked for retrieval. In another branch, it was noticed that monthly backup was not being taken.

In the absence of a proper system, the business of the Corporation to the extent it is dependent on the electronic data will be very badly affected in the event of any disaster. The Government stated (December 2005) that refinement of existing policies would be made at the time of making proposed IT Policy being submitted to the Board.

Lack of system testing before implementation

3.2.15 Audit enquiry revealed that no proper testing of the system duly documenting the same was done before using the package. An independent pre-implementation testing at various stages of development would have reduced many inaccuracies in design and development, obviating the effort to key in data all over again. Further, no formal post-implementation review of all the modules was carried out and results thereof documented for necessary follow-up action / maintenance. The Government stated (December 2005) that programs will be thoroughly tested and feedback will be obtained.

Performance of the system

3.2.16 Any computerisation effort has to be supplemented by appropriate input, processing and output controls to ensure confidentiality, integrity, and reliability of the data stored and flowing through the IT applications. However, it was noticed that because of deficient control environment the objectives of the computerisation of improving the efficiency and effectiveness of the organisation have not been achieved even after spending Rs.4.51 crore over a period of five years. The related observations are given below;

- The time taken for sanction of loans had been the same and had even increased in some cases after the introduction of the package, to which the Management stated (August 2005) that the number of days taken for processing the application cannot be attributed to delay in processing by the on-line package. The reply is not acceptable since time taken to process applications for financial assistance being one of the key factors of efficiency, reduction was expected to be realised by the system making all the relevant information available in a timely and accurate manner.

- One of the main objectives of on-line systems was to overcome limitations of batch processing systems. However, the Key data in different modules were still not being entered even after five years and manual files continued to be maintained.

- Vital data about disbursement of loans, extent of utilisation by the beneficiaries and their recovery from the loanees were not being keyed in into the system. They were, therefore, not available to the management for decision making.

- There were no records in some of the key tables pertaining to many topics like details of changes in first investment clause, details of changes in means of finance during disbursement, details of changes in project cost, and details of release with dues with authority for approval.

- No data was found keyed-in regarding existing assets of the loanee and details of performance of loanee units gathered on inspection.

- No data was captured for 'conditions imposed' for disbursement of loans, details regarding requests of the loanee for changes regarding working capital arrangements, security offered, etc.

- The number of records in various tables capturing different details of loanees – ranging between 2 and 9,127, varied with the number of records in the master table of loan accounts, which contained 11,480 records. The huge variation in the number of records indicated that data entry in all tables was not mandatory.

The Management stated (August 2005) that these tables were introduced subsequently hence there were differences. It was further stated that the difference related to cases, which were closed prior to implementation of 'On-line systems'. The reply is not acceptable as data for both tables should not be available, if they pertained to old cases. The Management stated (August 2005) that suitable modifications would be incorporated wherever necessary.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Corporation and officers of the Government at various stages of conducting the performance review.

Conclusion

Structured efforts at computerisation of IT activities would have enabled the Corporation to have a transparent, efficient and effective system to facilitate all aspects of loan appraisal, disbursement and monitoring. However, due to lack of properly directed efforts the Corporation still has a mix of manual and automated process with key areas still being manual, and thus not free from error or discretion. Moreover, the application packages lacked in-built controls and validations to safeguard against incorrect data entries and proper processing of data with the effect that the information generated by the system was not reliable in many areas. Thus, even after spending money and valuable time, the Corporation has not been able to use IT advantageously to bring in transparency and efficiency. This is a serious short coming in an organisation that disburses over Rs.300 crore annually as loans.

Recommendations

- **The Corporation needs to rework its entire strategy towards computerisation to harness true value of IT in not only enabling business but in improving processes.**
- **Proper input, processing and output controls need to be implemented in the organisation. It needs to fine tune the validations to bring them in line with manuals/circular instructions/lending policies.**
- **It needs to formulate and document an IT policy immediately.**

CHAPTER IV

4. TRANSACTION AUDIT OBSERVATIONS

Important audit findings noticed as a result of test check of transactions made by the State Government companies and Statutory corporations are included in this Chapter.

GOVERNMENT COMPANIES

The Mysore Paper Mills Limited

4.1 Defective Planning

Plantation of pines without conducting proper feasibility rendered the investment of Rs.22.74 crore uneconomic.

The forest raw material requirement for the manufacture of paper was estimated by the Company at 1.75 lakh MT to 1.80 lakh MT of short fibre wood variety i.e. Acacia and Eucalyptus and 35,000 MT to 40,000 MT of long fibre wood i.e. Pine and Bamboo. While carrying out the development of captive plantation under Phase II (1990-1996) with the financial assistance of Commonwealth Development Corporation, it was decided to raise Pinewood plantations as a substitute for bamboo.

Under Phase-II, the Company raised pinewood plantations over an area of 4,498 hectare by incurring an expenditure of Rs.22.74 crore with an estimated yield of 4,22,784 MT (at 94 Air Dry MT per hectare). The matured plantations were to be harvested between 2003 and 2009 since the gestation period of the pine is 12 years from the year of plantation.

It was noticed in audit that the decision to plant pine was taken without examining the possibility of using the entire quantity of pinewood for the manufacture of paper as the total requirement of such long fibre wood was only 35,000 MT to 40,000 MT per year as against the average availability of around 70,000 MT every year from 2003 to 2009. The Company also did not carry out production trials for manufacturing paper with pinewood. Consequently, the Company has not been able to utilise the entire quantity of pinewood available with it due to technical problems. The efforts to sell the pinewood in the market to other paper manufacturers also did not yield any results.

This has rendered the total investment of Rs.22.74 crore in the plantation of pine an uneconomic investment.

The Management stated (May 2006) that the usage of pine was restricted due to technical difficulties and pinewood could not substitute bamboo fully and only a maximum of 20,000 MT could be processed leaving the balance to be sold. Further, due to its hygienic pitch content (resin), the pinewood needed to be stored for six to eight months before consumption.

It is evident from the reply that there was lack of co-ordination between the production and plantation divisions as no link between the expected yield and actual demand was established.

The matter was reported to the Government (June 2006); their reply is awaited (September 2006).

4.2 Avoidable expenditure

Unilateral deduction of the value of power supplied to KPTCL/MESCOM from the energy bills resulted in payment of interest of Rs.1.25 crore.

The Company has been drawing power from Mangalore Electricity Supply Company Limited (MESCOM). The Company also started (November 2000) to supply surplus power generated from its co-generation plant to the Karnataka Power Transmission Corporation Limited (KPTCL) grid. As per draft Power Purchase Agreement (PPA) (approved by Karnataka Electricity Regulatory Commission in June 2006) the Company was required to submit tariff invoices for supplied power from time to time to KPTCL and the same would be paid by KPTCL within 15 days. As per the procedure in vogue, MESCOM raises power bills on a monthly basis and the energy charges are payable on or before the 18th of the following month, failing which two *per cent* interest per month for the belated period of payment was leviable by MESCOM.

It was noticed (February 2006) in audit that the Company did not submit tariff invoices for supplied power to KPTCL and instead started deducting unilaterally the value of energy supplied to KPTCL from the bills raised by MESCOM. The deduction was never accepted by MESCOM and this amount was indicated as arrears and interest was charged. Consequently, the Company had to pay (June 2004) interest of Rs.1.25 crore for the period July 2002 to March 2004.

The Management stated (May 2006) that it adjusted the value of exported power out of MESCOM bills as per the approval of both KPTCL and the State Government. In the absence of adjustments of value of exported power, the Company would have lost interest to that extent as MESCOM would not have paid interest on the value of power exported not adjusted as its financial position was under tremendous strain due to continuous losses incurred between 2002-2005.

The reply is not acceptable in view of the fact that there was no such approval by KPTCL and the State Government for such adjustment. The Company was required to submit the bills for exported power to KPTCL, which was not done. Further, the financial constraints faced and the recurring losses made by the Company was not a justification for unilateral deduction from the bills of MESCOM.

The matter was reported to the Government (June 2006); their reply is awaited (September 2006).

4.3 Extra expenditure

Injudicious decision to place order only for part quantity of the total requirement resulted in extra expenditure of Rs.86.48 lakh.

The Company invited (August 2003) global tenders for procurement of 4,000 Air Dry Metric Tonne (ADMT) of Chemical Thermo Mechanical Softwood Pulp (CTMP) in two batches of 2,000 ADMT each in November 2003 and February 2004 to meet its requirement for six month from January to June 2004. OTCL, Canada was the only firm, which responded quoting US$395 per ADMT for supply of 2,000 ADMT in the 1st shipment and additional 2,000 ADMT in the 2nd shipment at US$ 415 per ADMT. After negotiations (October 2003) the rates were reduced to US$ 394 and US$ 414 per ADMT for the quantities to be supplied in the 1st and 2nd shipment respectively. The Company, however, decided to procure 2,000 ADMT against 4,000 ADMT, in view of the high price, and accordingly placed (November 2003) the purchase order for supply of 2,000 ADMT only.

The Company again invited (March 2004) global tenders for procuring 3,000 ADMT of CTMP to cover the requirement for May to July 2004. OTCL, Canada was again the only firm to respond and quoted a rate of US$ 510 per ADMT for supply of 2,000 ADMT. After negotiations, the Company placed orders (April 2004) for supply of 1,000 ADMT, which was increased to 2,000 ADMT (May 2004) at US$ 508 per ADMT.

The decision of the Company to restrict the supply to 2,000 ADMT against the initial tender in spite of limited response to its tender and being aware of the increased price for future supplies was not prudent and resulted in extra expenditure of Rs.86.48 lakh*.

The Management stated (April 2006) that as on the date of opening of the price bid on 27 October 2003, the confirmed supply was only for 1,000 ADMT and not for 4,000 ADMT. It further, stated that on 29 October 2003 the supplier had confirmed to supply the entire quantity but at a higher rate. The reply is not acceptable as the Company was aware of the poor response and shortage of material in the market, which was indicative of the probability of higher prices in the future.

The matter was reported to the Government (April 2006); their reply is awaited (September 2006).

*** US$508 - US$414 = US$94 x Rs.46 per US$ = Rs.86.48 lakh.**

Krishna Bhagya Jala Nigam Limited

4.4 Excess payment

Failure to comply with its own decision resulted in excess payment of Rs.37.52 lakh to a contractor.

The construction of common headwork of Almatti Left Bank Canal and Chimmalagi Lift Irrigation Scheme was awarded (May 1994) to Mysore Construction Company, Bangalore at the negotiated price of Rs.4.41 crore, with completion period of 36 months. Six supplementary agreements were also executed (October 2001) on account of additional/extra items of work. As the execution of work by the department was banned by the Government, the balance earthwork excavation for intake channel, jackwell was also entrusted (1994) to the same agency on extra items rate list (EIRL) basis. The work was completed in March 2004.

The Technical Sub-Committee (TSC) in its 51st and 52nd meeting held on 3 May 2000 and 3 June 2000 respectively, while recommending higher rate for escalation, increase in the quantity in excavation, embankment, concrete etc., directed to recover payment of lift charges in the earthwork and differential payments between KBJNL SR 1996-97 rates and Irrigation Department (ID) Dam SR rates 1996-97. The Board of Directors in its 38th meeting held on 14 November 2000 also approved the decision of TSC. While making final payments (March 2004) to the agency, the Company failed to recover the lift charges and difference in SR of ID Dam rates and KBJNL rates, resulting in excess payment of Rs.37.52 lakh. On this being pointed out by Audit, the Company decided (February 2006) to recover the amount from the contractor. The contractor has, however, approached the High Court of Karnataka against the order for recovery and the matter is still pending in High Court (August 2006).

The matter was reported to the Government (March 2006); their reply is awaited (September 2006).

4.5 Undue benefit to contractor

Non-deduction of shrinkage from the final measured quantities of earthwork embankment, as per contract conditions, resulted in extension of undue benefit of Rs.37.20 lakh to the contractor.

The construction of a high level bridge across Ghataprabha river near Anagawadi was awarded (May 1996) to a contractor at his quoted price of Rs.21.05 crore. As per clause 26.06.4 of the agreement, the final measurement shall be recorded only after passage of one monsoon after completion of the embankment/cohesive non-swelling layer to the design profile. For final payment, deduction of 2.5 *per cent* in quantity was to be made towards shrinkage. The work was completed during July 1999 and final payments made during October 2001.

It was noticed in audit that even though the concerned sub-division prepared the final bill in accordance with the above provisions after deduction of the shrinkage, the payment was made for the full quantities, without deduction for shrinkage. This resulted in excess payment of Rs.37.20 lakh to the contractor.

The Government stated (February 2006) that action has now been taken to recover the shrinkage amount alongwith interest from the contractor. As the Company had already settled the final bill in October 2001, the modality of recovering the amount is awaited (September 2006).

4.6 Undue payment

Payment of rates higher than the approved rates for concrete items resulted in undue benefit of Rs.35.87 lakh to contractor.

The construction of a barrage across Bhima River near Yadgir, estimated to cost Rs.20.04 crore was awarded (July 2002) to a contractor at his bid price of Rs.12.20 crore, which was 39 *per cent* below the estimated cost. The barrage was designed with 4.25 metre wide submersible operating platform meant only for operating the gates of the barrage. Subsequently, while the work was in progress, the scope of the work was modified to construct a non-submersible bridge of 7.5 metre of road width above the barrage so that it will serve as an alternate bridge to the old bridge on Yadgir-Shahapur road. The modifications increased the estimated cost of the work by Rs. 21.14 crore at the rates as per schedule of rates of the Company. The work was carried out without retendering and completed (March 2006) as per the changed scope.

The Board, taking into account the increase in scope of work, hike in cost of work etc. approved (September 2004) higher rates for increased scope of work only. The Board approved rate for concrete items of work was at a premium of five *per cent* above the schedule of rates for 1996-97 of the Company. Accordingly, a rate of Rs.2,754.41 per cubic metre was payable for the additional quantities of concrete work. The Company, however, paid a rate of Rs.2,855.63 per cubic metre, which was worked out considering Rs.128.61 per bag of cement instead of the rate of Rs.110 per bag contained in the schedule of rates for 1996-97 of the Company. Since higher rates based on percentage of premium over schedule of rates had already been sanctioned by the Board, there was no justification for adding hike in cement rates separately while making the payment then adding premium of five *per cent*. This resulted in undue benefit of Rs.35.87 lakh to the contractor.

The matter was reported to the Management / Government (March 2006); their replies are awaited (September 2006).

Karnataka State Electronics Development Corporation Limited

4.7 Delay in settlement of bonds

Delay in arranging funds for settlement of bonds on exercising the call option resulted in loss of Rs.39.06 lakh and increased liability of Rs.2.94 crore on borrowings.

The Company issued non-convertible redeemable bonds (guaranteed by the Government of Karnataka) called 'Mahiti Bonds' of Rs.60 crore by private placement during 2000-01 at a coupon rate (interest rate) of 12.75 *per cent* per annum to execute the projects entrusted under Millennium IT Policy of the Government of Karnataka. The terms of offer document stipulated that the Bond could be redeemed by exercising the 'call' and 'put' option by either of the parties at the end of fifth year i.e. before 25 January 2006.

Considering the steep reduction in the interest rate, the Company proposed (December 2004) to the Government to exercise 'call' option at the end of fifth year. The Government permitted (August 2005) the Company to exercise the 'call' option by raising necessary resources from Housing and Urban Development Corporation Limited (HUDCO). HUDCO offered (November 2005) to extend financial assistance of Rs.54 crore at fixed interest rate of 8.75 *per cent* per annum and the balance amount of Rupees six crore was to be mobilised by the Company. Notice of call option was issued in October 2005 exercising the option to redeem the Bonds on 31 January 2006.

The Company approached (November 2005) the Government for approval for arranging loan of Rs.54 crore from HUDCO and to release Rupees six crore for meeting the payment obligations, the approval for which was received only on 22 March 2006. The Bonds were finally redeemed (7 April 2006) after a delay of 66 days from the due date, by availing loan of Rs.54 crore from HUDCO and Government contribution of Rupees six crore. As a result the Company paid interest at higher rates to the bond holders till then resulting in extra payment of Rs.39.06 lakh.

Further, HUDCO also increased the rate of interest from 8.75 *per cent* to 10.25 *per cent* with effect from 1 March 2006 resulting in increased liability of Rs.2.94 crore (approximately) towards payment of interest to HUDCO.

The Government confirmed (June 2006) the facts but has attributed procedural delay in getting the funds from the Government. The reply is not acceptable since the Government had already allowed the Company to raise funds from HUDCO and immediate action could have saved both extra payment of Rs.39.06 lakh and additional liability of Rs.2.94 crore.

4.8 Undue benefit

Waiver of interest on belated payment resulted in undue benefit of Rs.46.95 lakh to a party.

The Company developed (1980) industrial plots with necessary infrastructure facilities at the Electronic City, Bangalore. During 1999-2000, Infosys Technologies Limited (Infosys) was allotted 17.6653 acre, on payment of tentative price of Rs.14 lakh per acre, pending finalisation of the cost of development charges. After finalising (September 2001) the cost at Rs.17.75 lakh per acre, including development charges, the Company asked (December 2001) Infosys to pay the differential cost of development charges of Rs. 64.58 lakh and get the land registered upto 31 December 2001.

Infosys initially refused to pay the amount on the ground that the cost was on the higher side but agreed (November 2005) to pay Rs. 64.58 lakh in one lump if the Company waived the interest. The Company accepted (November 2005) the proposal of Infosys and waived the interest of Rs. 46.95 lakh for the period from January 2002 to November 2005. It was noticed in audit that the Company had levied and collected interest for delayed payment from other companies (including some Government Companies) who were allotted industrial plots in the State. It is also pertinent to mention that the Company had utilised borrowed funds for the development of industrial plots during 1993 to 1999.

The Government stated (June 2006) that the interest was waived due to the contribution of Infosys to the overall growth of IT industries in the State. The reply is not acceptable as interest was being levied and collected from other companies, who were allotted industrial plots in the State.

The decision of the Company to waive interest of Rs.46.95 lakh to Infosys alone resulted in undue benefit to them.

Karnataka Power Transmission Corporation Limited

4.9 Extra expenditure

Error in issuing of letter of intent led to re-tendering and consequential extra expenditure of Rs.44.18 lakh.

The Company invited (August 2003) tenders for the work of installing 1x10 MVA 110/11 KV sub-station at Industrial Growth Centre, Chikkasugar and terminal bay at 110/33 KV sub-station at APMC yard, Raichur, at an estimated cost of Rs.2.76 crore. The tender was finalised in favour of Vee Vee Controls Limited (firm) on turnkey basis at Rs.2.11 crore, after taking discount of 9.5 *per cent* on the quoted price of Rs.2.33 crore. The Company, however, while issuing Letter of Intents (LOI) (January 2004) did not deduct the discount element and indicated the cost as Rs.2.33 crore. The agreements were also entered (May 2004) with the firm for the original amount of Rs.2.33 crore.

After entering into the agreements, the Company issued (June 2004) detailed work order for Rs.2.11 crore. On noticing the discrepancy in the amount mentioned in the LOI and detailed work award, the Company asked (July 2004) the firm to correct the amount of the contract as Rs.2.11 crore. The firm, however, refused (January 2005) to execute the work at the reduced cost. The Company cancelled the contract (April 2005) and forfeited the earnest money deposit (EMD) (Rs.1.84 lakh) and encashed the bank guarantee (Rs.28.98 lakh). Subsequently, the work was re-tendered and awarded (October 2005) to Omricon Engineers, Aurangabad at a cost of Rs.2.86 crore.

Thus, the error committed while issuing the Letter of Intent led to re-tendering and consequential extra expenditure of Rs.44.18 lakh.

The Government (May 2006) while accepting the error as inadvertent, stated that the contractor has gone for arbitration against the action of encashing bank guarantee and forfeiting of EMD.

4.10 Extra expenditure

Placement of order on second lowest tenderer resulted in undue favour and extra expenditure of Rs.37 lakh.

The Company invited (September 2002) bids for establishing 2x100 MVA, 220/66KV substation at Madhuvanahalli (Kollegal) and providing two terminal bays at T.K.Halli 200 KV station on turnkey basis. The estimated cost of the work, based on the Schedule of Rates of 2002-03 was Rs.15.60 crore. After evaluating (November 2002) the technical and commercial bids of the six firms who responded, the Company accepted the bids of three firms. These bids were valid till 11 May 2003. The price bids of three firms were, however, opened in March 2003, out of which Bombay Sub-urban Electricity Supply Company (BSES) was the lowest at Rs.19.92 crore, followed by L&T at Rs.21.10 crore.

While finalising the tender, the Company offered (9 May 2003) 10 *per cent* premium over and above the estimated cost of Rs.15.60 crore, which was not agreed to by BSES. The Company requested (25 May 2003) BSES for extension of the validity period, which expired on 11 May 2003. The request for extension was, however, not acceded to (July 2003) by BSES. The Board in the meantime authorised (9 May 2003) the Managing Director to conduct negotiations with the second lowest tenderer in the event of the lowest tenderer not accepting the negotiated offer. The Company finalised (September 2003) the tender in favour of the second lowest bidder-L&T by offering 10 *per cent* premium over and above the estimated cost of Rs.18.44 crore based on the Schedule of Rates of 2003-04, which worked out to Rs.20.29 crore.

It was noticed in audit (April 2005) that the Company followed two parameters in negotiating the tender - in the case of the lowest tenderer, the Company used estimate based on Schedule of Rates of 2002-03 while in case of the second lowest tenderer estimate based on Schedule of Rates of 2003-04 was used. Further, the second lowest tenderer was approached after expiry of the validity period and the validity period was got extended thereafter. Thus the Company extended undue benefits to the second lowest tenderer resulting in extra expenditure of Rs.37 lakh.

The Government stated (July 2006) that since the lowest tenderer refused to accept the offer of 10 *per cent* premium on Rs.15.60 crore and extension of validity period, L&T who was the second lowest tenderer, was elevated to the lowest position and hence the order was finalised on L&T. The reply is not acceptable as the Company negotiated with both parties using different Schedule of Rates and request for extension of validity of the offer of the second lowest tenderer was made after the expiry of the validity period.

Bangalore Electricity Supply Company Limited

4.11 Avoidable payment

Entrustment of disposal of scrap to an external agency, against its own interest, resulted in avoidable payment of service charges of Rs.37.24 lakh.

The Company was disposing of scrap departmentally. As the workload on the staff was more, which led to delay, the Company examined (June 2003) the feasibility of entrusting the work to Metal Scrap Trading Corporation Limited (MSTC). The examination revealed that entrusting the work to MSTC had the following disadvantages, viz:

- the period of tender and revenue realisation would be monthly instead of weekly/fortnightly;
- MSTC could not assure higher rates for scrap materials;
- the workload of the staff would remain the same and they could not be redeployed elsewhere;
- the revenue would be 2.5 *per cent* less due to commission payable to MSTC; and
- there would be no value addition by entrusting the work to MSTC.

In spite of the above disadvantages, the Managing Director of the Company ordered (June 2003) entrustment of the work to MSTC on the ground that it is a Government of India enterprise. Accordingly, an agreement was entered (July 2003) with MSTC initially for one year which was extended for further three years. The terms and conditions, *inter alia,* included payment of service charges at 2.5 *per cent* on the value of materials sold. The Company paid service charges of Rs.37.24 lakh for the sale value of Rs.14.85 crore during October 2003 to July 2005 and continues to incur service charges till the expiry of the agreement.

It was noticed (December 2005) in audit that the Company could not dispense with the staff, which continued to assist MSTC in arranging for the disposal of the scrap materials. Thus, the purpose of engaging the external agency i.e. reducing the workload of the Company staff has not been achieved even after spending Rs.37.24 lakh as commission.

The Government stated (May 2006) that MSTC was appointed as it has vast experience in handling scrap. Further, the realisation of higher scrap value could not be envisaged as the scrap value depends upon the market trend on the date of tender and quality of scrap. The Company was now proposing to dispense with the outside agency and revert to the old system. From the reply it is evident that entrusting the work to MSTC did not give the Company any additional advantage, while it entailed avoidable extra expenditure.

4.12 Loss of revenue

Failure to comply with its own conditions resulted in non levy of tariff minimum charges of Rs.28.35 lakh.

The Company serviced (February 2001) power to Brigade Enterprises Private Limited, Bangalore with a contract demand of 1,000 KVA (RR No:BS9HT-8).

Based on the request (April 2001) the Company sanctioned (September 2001) additional power of 1,500 KVA under self execution scheme. Terms and conditions of the sanction order *inter alia* included that the consumer was to pay tariff minimum charges from the date of commencement of supply (actual date of availment of power supply or expiry of 30 days notice period issued by the Board, whichever was earlier), even if the consumer failed to avail power supply.

After payment of initial security deposit (October 2001) and augmentation charges (February 2002) by the consumer, arranging of additional power of 1,500 KVA from the existing 11KV system was approved (May 2002). Subsequently, the consumer did not avail additional power and instead staggered the additional load by availing 500 KVA (April 2003) and 1,000 KVA (April 2004). This was also approved by the Company. During the period from June 2002 to July 2003, the Company failed to levy minimum tariff charges amounting to Rs.28.35 lakh in violation of its own terms and conditions of the sanction.

The Government stated (July 2006) that minimum tariff is applicable only after the agreement is executed and not on intimation of sanction load. Further, it stated that the Company had collected three months minimum deposit and infrastructure charges two years in advance of actual availment of additional power supply to the consumer. The reply is not acceptable as the regulation for arranging power supply stipulated that if the consumer failed to avail power within 30 days from such intimation, the installation shall be deemed as serviced on expiry of 30 days period and the consumer is liable to pay the demand charges and monthly minimum charges.

Mysore Minerals Limited

4.13 Fixation of low price

Fixation of price of iron ore to be sold to a 'marketing agent' far below the reference price of MMTC Limited resulted in loss of Rs.22.35 crore.

A reference is invited to Paragraph 2.1.24 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Commercial), Government of Karnataka, wherein it was pointed out that non-revision of selling price in terms of original agreement for sale of iron ore resulted in loss of Rs.3.27 crore.

As per the 'Marketing agreement', (October 1999 and revised in January 2002) the Company has to sell the calibrated iron ore (except iron ore fines) mined at Subbarayanahalli mines exclusively to Kalyani Ferrous Industries Limited (KFIL), for 20 years or more until the mining lease expires, at the prices determined as per the agreement. The price was fixed at Rs.250 per tonne for an initial lock-in period of three years. Thereafter, the prices were to be reviewed and re-fixed with effect from 1st of April every year taking in to consideration the revision of prices by MMTC Limited. Audit analysis revealed that the agreement was silent about the basis/formula to arrive at a price from the prices declared by MMTC Limited from time to time.

The first revision was due on 1 April 2005 as per the agreement. The Company worked out and communicated (May 2005) a selling price of Rs.902 per tonne based on the MMTC price of Rs.1,000 per tonne (tentative) after deducting transportation and handling cost. This price was not accepted by the KFIL. After several rounds of discussion with KFIL, the Company fixed (July 2005) a selling price at Rs.314 per tonne valid till 31 March 2007. The reasons for the fixation of such a low price, as compared to MMTC price and agreeing to make it valid for two years instead of one year were, however, not on record.

Fixation of price at Rs.314 per tonne instead of Rs.972 per tonne, resulted in loss of Rs.658 per tonne. During 2005-06 a total of 3,39,685 tonne of iron ore supplied at the price of Rs.314 per tonne resulted in loss of Rs.22.35 crore. The Company may continue to incur losses in the absence of any fixed basis/formula in the agreement.

The matter was reported to the Management (May 2006)/Government (June 2006); their replies are awaited (September 2006).

Cauvery Neeravari Nigam Limited

4.14 Excess payment and extension of undue benefit

Payment at rates higher than at the approved Schedule of Rates resulted in excess payment and extension of undue benefit of Rs.4.68 crore.

The balance works* relating to dam appurtenant works of Uduthorahalla reservoir project was entrusted (June 1998) by the Irrigation Department of the Government of Karnataka to Consolidated Enterprises (Contractor) at a cost of Rs.26 crore, at a premium of nine *per cent* over the Schedule of Rates of 1993-94. While the works were in progress, the contractor requested (May 1999) for payment at nine *per cent* above the current Schedule of Rates of 1996-97, due to failure of the Department to supply cement and steel and non-payment of monthly bills by the Department. The Government accorded (July 2001) approval, for the payment at the rates of 1996-97 in respect of the works executed after 31 May 1999. This project was transferred to the Company after its formation in June 2003.

Audit scrutiny revealed that in respect of certain critical items of works, rates other than those based upon the Schedule of Rates of 1996-97 were paid as detailed below:

- An *ad hoc* increase of 20 *per cent* over the Schedule of Rates of 1993-94 for hearting and casing of the dam embankment,
- An *ad hoc* increase of 30 *per cent* above the Schedule of Rates of 1993-94 or rate analysis, which ever is less, for concrete items of work .

These deviations, which were contrary to the rates approved by the Government in July 2001, resulted in excess payment of Rs.4.68 crore and extension of undue benefit as per the latest running account bill paid in January 2006. The work is yet to be completed (August 2006).

The Management stated (July 2006), that the rates for 1996-97 Schedule of Rates were lesser than the rates as per Schedule of Rates of KRS dam Circle. As the agency represented for revised rates, it was analysed that it would be appropriate to include derived rates for lead, loading and unloading charges based on the data break up of Schedule of Rates of 1993-94 and incorporating in it the machinery hire charges, labour charges, and oil charges of market that prevailed during 1996-97 and hence the revised rates were worked out.

The reply is not acceptable as Schedule of Rates of different circles were finalised by the Schedule of Rate Committees based on the cost of material,

*** The project was originally entrusted (January 1990) by the Irrigation Department to the Karnataka State Construction Corporation Limited (KSCC). The work was withdrawn (December 1994) from them and entrusted (September 1995) to the present contractor, who was the sub-contractor of KSCC. The works entrusted in September 1995 were completed and the present contract comprised the further works entrusted during June 1998.**

labour and transportation, etc., of the local market, keeping in view the directions of the Board of Chief Engineers. The rates so finalised need not be higher than the rates for the previous year, and comparing the rates with that of another circle was not justified. Giving *ad hoc* increase of 20 *per cent* and 30 *per cent* over the previous Schedule of Rates, instead of payment at the Schedule of Rates approved by the Government resulted in excess payment to the contractor.

The matter was reported to the Government (June 2006); their reply is awaited (September 2006).

Karnataka Power Corporation Limited

4.15 Idle investment

Failure to evaluate the compatibility of the software with interface equipment resulted in idle investment of Rs.4.03 crore.

In order to have comprehensive station level computer control system named as second level control system for Kadra and Kodasalli Power houses, the Company placed purchase order (August 1995) for supply and commissioning of station level computer system at Rs.1.35 crore for both the power houses on CEGELEC (now ALSTOM Systems Limited).

It was noticed that the Company did not evaluate compatibility of this software with the interface equipment (equipments purchased for interfacing between the water control system and the computer system) to be supplied by BHEL.

ALSTOM supplied the computer system along with the required software and conducted trials during 1998-2002 to integrate the system with water control system using interfacing equipments supplied by BHEL. The computer system could not be integrated due to lacunae in the system like delay in commands, system function, log issues, stability, etc.

As the supplier failed to solve the problems of the system, the Company rejected (October 2004) the system and encashed the bank guarantees of Rs.15.23 lakh. The Company also asked the supplier to make good the balance amount of Rs.1.18 crore, paid to them for supply of the system, as per the terms of the purchase order. Recovery of the amount was awaited (August 2006).

Non-availability of station level computer system not only resulted in failures to utilise the available water judiciously but also in blockage of Rs.2.85 crore in interfacing equipment. Failure to evaluate the compatibility of the software with interface equipment, thus, resulted in blockade of Rs.4.03 crore.

The Management admitted the fact of non-functioning of station level computer system and stated (August 2005) that the microprocessor based line control panel and interfacing panels have been commissioned and are in service. The reply is not acceptable as the microprocessor based line control panel and interfacing panels were to be used along with the computer system and non-availability of computer system has rendered these equipments ineffective.

The matter was reported to the Government (April 2006); their reply is awaited (September 2006).

The Mysore Sugar Company Limited

4.16 Loss due to violation of licence conditions

Production of spirit directly from sugarcane juice in violation of licence conditions resulted in loss of Rs.3.43 crore.

The Company started (September 2004) production of rectified spirit directly from sugarcane juice without obtaining the necessary permission from the Excise Department. The Excise Department consequently, confiscated (March 2005) the stock of 4,82,819 litre of rectified spirit and 30,011 litre of medium grade alcohol costing Rs.3.43 crore. The appeal of the Company against confiscation was rejected and confiscated spirit was auctioned in June 2005.

Thus, production of spirit directly from sugar cane juice in violation of licence conditions and without obtaining express permission from the Government resulted in loss of Rs.3.43 crore.

The Management, while confirming the facts, stated (April 2006) that the production of spirit directly from sugarcane juice was started as per the understanding reached with the Excise Authorities and the Cane Commissioner, with the best intention of reducing the financial loss of the Company as production of sugar was not viable due to very low cane production/crushing. The reply is not acceptable as the Company should not have gone for production of rectified spirit without obtaining necessary approval from the Excise Department.

The matter was reported to the Government (April 2006); their reply is awaited (September 2006).

The Mysore Electrical Industries Limited

4.17 Extra expenditure

Addition of a condition not stipulated in the tender/offer documents resulted in the purchase order being rejected and consequential extra expenditure of Rs.72.48 lakh.

The Company invited (June 2003) tenders for supply of ACSR Drake conductor required for the construction of 220 KV transmission line from Chickodi to Kudchi, from vendors approved by Karnataka Power Transmission Corporation Limited (KPTCL).

After negotiation, Sharavathi Conductors Private Limited (SCPL) was evaluated as the lowest tenderer. Purchase order for supply of 213.54 kilometre of Drake conductor was placed (October 2003) on SCPL with firm prices of Rs.1,48,808 per kilometre. The firm was also asked to furnish performance bank guarantee, which was not stipulated in the tender/offer documents. SCPL did not accept (November 2003) the purchase order as it varied from the offer. The attempt to get supplies from the second and the third lowest tenderers also failed. The Company, therefore, issued (May 2004) fresh enquiries to all the participants of the original tender and the purchase order was placed (July 2004) on SCPL, at the negotiated price of Rs.1,72,000 per kilometre for 215 kilometre of Drake conductor, on variable price conditions.

Addition of a condition not stipulated in the tender/offer documents resulted in the purchase order being rejected and consequential extra expenditure of Rs.72.48 lakh on the procurement of the conductors from the same firm at higher rates.

The Government stated (May 2006) that the terms and conditions of furnishing bank guarantee were not acceptable to SCPL. The reply is not acceptable as this condition was not stipulated in tender/offer documents but was added at the time of placing order.

Karnataka Road Development Corporation Limited

4.18 Avoidable expenditure

Widening the berms upto the extreme edge of the drainage on both sides of the carriage way resulted in avoidable expenditure of Rs.69.15 lakh.

The Company entrusted (April 2001) maintenance work of various State highways in Hassan district to Vishal Infrastructure Limited, Bangalore (contractor) for a period of three years on rate contract basis. The work included, among other items, two metre wide 20 centimetre thick berm works on both sides of the carriage way. During execution, the Public Works Department, Government of Karnataka, instructed the contractor to clear the high berms upto the extreme edge of the drain on both sides of the road in order to demarcate the road width to have a clear right of way. This resulted in increase in the quantity of earthwork excavation by 1,97,581 cubic metre, at a cost of Rs.69.15 lakh.

It is pertinent to mention in this connection that Indian Road Congress (IRC) has provided for standard requirement of 1.8 metre berm work on both sides of the carriage way. As such, berm works beyond two metres of the carriage way was not required and was also not envisaged in the original estimate or contract for the road maintenance work.

The Management stated (May 2005) that if the berm cutting was restricted to two metres, there was every likelihood of remaining road width being encroached upon, and also that water would not drain properly into longitudinal drains, which might result in deterioration of asphalted surface of the road. The reply is not acceptable as the problem of drainage of water could have been tackled by proper maintenance of the cross drains and encroachments cannot be prevented even by excess berm work. Further, extending the high berm upto the extreme edge of the drains was not required in view of IRC specifications also. As such, extending the high berm upto the extreme edge of the drains on both sides of the carriage ways by incurring extra expenditure of Rs.69.15 lakh was avoidable.

The matter was reported to the Government (March 2006); their reply is awaited (September 2006).

Karnataka State Industrial Investment and Development Corporation Limited

4.19 Imprudent tax planning

The Company lost the opportunity to earn additional interest of Rs.66.63 lakh due to its failure to avail of the benefit under Section 197(1) of the Income Tax Act.

The Company has been incurring losses since 1998-99 and filing Income tax returns indicating 'loss' from business operations. There has been 'unabsorbed depreciation' and 'unabsorbed losses' to be adjusted against future earnings.

The Company constructed (2000-01) a building 'Khanija Bhavan' and rented the space to various companies. The total rental income from this building was Rs.10.07 crore per annum. The tenants have been paying rent after deducting TDS in accordance with the provisions of Income Tax Act, 1961 (Act). As the Company was filing 'loss' returns with Income-Tax authorities, it was getting refund of tax along with interest at six *per cent* per annum after the assessment.

As per Section 197(1)[1] of the Act, the Company was entitled to get a 'certificate' from Income-Tax authorities to avail the benefit of non-deduction of TDS from rental income. The Company did not avail of this benefit and thereby TDS of Rs.3.77 crore was deducted by the tenants during 2001-02 to 2002-03. The Company availed the benefit of Section 197(1) in 2003-04 but the same was again not availed in 2004-05 resulting in payment of TDS of Rs.2.13 crore. Had the Company done tax planning properly it could have earned more interest by using the funds for its lending business.

The Management stated (May 2006) that as per Business Plan Resource Forecast (BPRF), it had budgeted to make 'profit' and as such 'Income tax' was paid. The reply is not acceptable since BPRF is a projection of income for the year only, whereas for payment of income tax, the 'unabsorbed depreciation and losses' of earlier years are also relevant. Since the Company was showing 'loss from business operations' since 1998-99 and was having 'unabsorbed

[1] Section 197(1) 1961 stipulates that when the Assessing Officer is satisfied that the total income of the recipient justifies the deduction of Income Tax at any lower rates or no deduction of income tax, the Assessing officer on an application made by the assessee on this behalf give such *certificate* as may be appropriate.

depreciation and losses' it should have considered these facts at the time of tax planning and should have availed the benefit of Section 197(1) of the Act.

Thus the Company lost the opportunity to earn additional interest of Rs.66.63 lakh (the difference between lending rate of the Company and interest paid by tax authorities) due to its failure to avail of the benefit under Section 197(1) of the Act.

The matter was reported to the Government (April 2006); their reply is awaited (September 2006).

Marketing Consultants and Agencies Limited

4.20 Supply of material and services to IT.Com

Materials supplied and services of Rs.56.70 lakh rendered by the Company to the event managers of IT.Com 2002 and IT.Com 2003 remained unpaid as there was no formal agreement with the event managers.

During 2002, the Company supplied various materials including brochures, floor plans, envelops, receipt books, compact disks, exhibition manual etc., and also rendered services in arranging to place advertisements in various news papers and magazines, to 'Cyber Expo', (Division of Cyber Media) the event managers of 'IT.Com 2002', an exhibition held at Bangalore by the Department of Information Technology and Bio-Technology. There was, however, no formal order for the material or services to be supplied/rendered from the event managers or the Department. The estimates for the materials, art works and advertisements were approved by the event managers before arranging for supply. The total value of materials supplied and services rendered were billed at Rs.34.54 lakh. The Company received payments of only Rs.2.68 lakh upto July 2006. Cyber Expo deducted Rs.7.38 lakh as 'tax deducted at source' on balance of Rs.24.48 lakh, which is yet to be received (August 2006).

In spite of the fact that payments were not made in respect of IT.Com 2002, the Company again rendered similar services and supplied materials for IT.Com 2003 organised by Cyber Expo. The invoices for the materials/services were raised in the name of IT.Com 2003 at the instance of the event managers (Cyber Expo). The total value of the materials supplied/services rendered was Rs.40.11 lakh against which payment of only Rs.7.89 lakh was received, leaving a balance of Rs.32.22 lakh (July 2006). The total amount receivable in respect of both IT.Com 2002 and IT.Com 2003 from the event managers was Rs.56.70 lakh (July 2006).

As no payment was received, the Company sent (October 2004) legal notices to the event managers to make the payment of the outstanding dues. No payment, was, however, received (July 2006) and the Company has not taken any further legal action.

The Management confirmed (May 2006) that it had not entered into a contract agreement for services rendered. It was further stated that the event managers were appointed by the Department of Information Technology and

Bio-Technology and jobs were done for the event managers on the oral instructions of the then Secretary of the Department at short notice and that the matter of payment was being pursued with the Department also.

The reply of the Company indicates that it did not take steps to safeguarding the interest of the Company. Undertaking jobs for the second event when payment for the first job had not been received was not justified.

The matter was reported to the Government (June 2006); their reply is awaited (September 2006).

Gulbarga Electricity Supply Company Limited

4.21 Delay in calibrating the meter of an HT installation

Failure to comply with the codal provisions in calibrating meter of a high tension installation resulted in loss of revenue of Rs.53.35 lakh.

Clause 26.07 of Karnataka Electricity Supply and Distribution Code required that the meters fixed to High Tension (HT) installations are to be tested/calibrated/rated once in a year in order to ascertain the accuracy of its performance. In case of any fault in meter reading, clause 27.03 of the code *ibid,* provides for maximum of six months back billing- i.e. billing for previous period on the basis of estimated consumption of energy.

The meter of Karanja Industries Limited, Bidar, an HT consumer was serviced on 2 January 2002 and as per codal provisions had to be calibrated by 2 January 2003 (i.e. after one year). The Company, however, calibrated the installation only on 16 January 2004, (i.e. after two years). The meter was found to be recording slow consumption of power by 45 *per cent* and the Company raised back billing charges for the six months period (August 2003 to January 2004) as per clause 27.03 of the code.

Audit scrutiny of records revealed that the results of calibration on 16 January 2004 indicated that the meter had been faulty for the previous 21 months. If the meter was calibrated by January 2003 (one year period, as per codal provision), the fault could have been detected and consumer back-billed for August 2002 to January 2003 and further recording of energy charges would have been on the basis of accurate billing. By not adhering to the codal provisions for annual test/calibration the fault remained undetected and meter ran slow for 21 months, whereas only six months back-billing was enforceable. This resulted in loss of revenue of Rs.53.35 lakh as the energy recorded was only 55 *per cent* of the energy actually consumed (August 2002 to July 2003).

The matter was reported to the Management/Government (January 2006/ March 2006); their replies are awaited (September 2006).

Jungle Lodges and Resorts Limited

4.22 Renovation and outsourcing of Hotel Metropole and Hotel Krishna Raja Sagar

Introduction

4.22.1 The Government of Karnataka transferred (April 2003) Hotel Metropole and Hotel Krishna Raja Sagar (KRS) at Mysore from the Tourism Department to the Company with a view to revitalising and recommencing the hotel business within a period of three months. Accordingly, the said buildings, taken over by the Company in June 2003, were renovated at a cost of Rs.4.84 crore (loan of Rs.2.50 crore from HUDCO and the balance amount of Rs.2.34 crore incurred out of internal accruals) and both the hotels were outsourced[2] to Royal Orchid Hotels Limited (ROHL).

Audit scrutiny conducted in December 2005 of the records relating to renovation and outsourcing of these hotels revealed the following:

Violation of pre-qualification criteria

4.22.2 The Notice Inviting Tenders (NIT) for the renovation work of Hotel Metropole and Hotel KRS, comprising pre-qualification requirement of the tenderers was issued in July 2003. As per this, the applicants were required to have experience in the construction and renovation of heritage/ eco-tourism hotels of minimum three-star level and a minimum turn over of Rupees two crore in the past five years. Three parties responded to the notice. The tender of one party was not considered as it did not have the required turnover of Rupees two crore. Tenders of the other two parties were considered for evaluation and since the financial offer of Manjushree Constructions was the lowest, the renovation work of both the properties was awarded to them.

Audit scrutiny revealed that Manjushree Constructions did not have a turnover of minimum of Rupees two crore and experience in the construction of three star level hotels. As such they were not eligible for evaluation. But their offer was considered only because they had executed other works of the Company earlier. Accepting the offer of Manjushree Constructions was not only contrary to the pre-qualification criteria prescribed in the NIT but was also in violation of the rules framed under Karnataka Transparency in Public Procurement Act, 2000.

Delay in awarding renovation work of Hotel KRS

4.22.3 The tenders for the renovation of both the works were invited in July 2003 and tenders were finalised in favour of Manjushree Constructions. The work order, however, in respect of Hotel KRS was issued in March 2004, only after completion of the work of Hotel Metropole for which no reason was on record. This resulted not only in payment of escalation in cost to the extent

[2] **Hotel Metropole in May 2004 and Hotel Krishna Raja Sagar in March 2006.**

of Rs.9.87 lakh to the contractor but also resulted in anticipated revenue loss of Rs.1.32 crore[∞] for the period from August 2003 to March 2006.

Outsourcing of hotels

4.22.4 The Company invited tenders (January 2004) for outsourcing the operation and management of its hotels for a period of 15 years. The NIT contained only the eligibility and evaluation criteria for financial capability and no mention was made regarding the minimum expected returns based on the prevalent return in respect of the 3-Star Hotel category.

Low rate of return- Hotel Metropole

4.22.5 Hotel Metropole was built about 100 years back during the reign of the Wodeyar dynasty. The hotel building is a classic example of colonial style of architecture and a heritage building. India Tourism Statistics-2003 had ranked Karnataka among the top five states in India in respect of tourists' inflow. Mysore, being an important tourist destination from historical, cultural, heritage and business point of view, was projected to attract tourist from all over the country and abroad.

It was noticed in audit that though the Company invited tenders for outsourcing it did not analyse the rate of return to be expected from the hotels keeping in view the huge potential because of the factors mentioned above. Considering the market value of land and building of Hotel Metropole at Rs.15.60 crore and Rs.3.19 crore spent towards the renovation cost, outsourcing of Hotel Metropole to ROHL for a period of 15 years at a licence fee of Rs.14.75 crore works out to a meagre return of 5.2 *per cent* per annum on capital invested by the Government.

The Management stated (March 2006) that considering the fact that the capital investment by the Company is only Rs.3.30 crore, the return is 347 *per cent* in aggregate and approximately 23 *per cent* on an average per annum.

The reply is not acceptable because the Company considered only the renovation cost incurred by it and ignored the total value of the property for reckoning the rate of return.

Delay in handing over of Hotel Metropole

4.22.6 The Hotel Metropole was outsourced to Royal Orchids Hotel Limited (ROHL) in May 2004 for an aggregate lease rent of Rs.14.75 crore for a period of 15 years. In addition, the ROHL was to pay 10 *per cent* of the annual revenue exceeding Rs.2.50 crore. According to the outsourcing agreement, the second instalment of lease rent was to be received on the first anniversary from the date of certificate issued by the architects of the Company about the readiness of the hotel to commence operations after renovation. This certificate was to be issued within three months from the date of agreement.

It was noticed in audit that due to delay in rectification of roof leakage, the readiness certificate in respect of Hotel Metropole could be issued only on

[∞] **total lease rent payable was Rs.7.42 crore for 15 years; proportionate lease rent payable for period August 2003 to March 2006 works out to Rs.1.32 crore.**

17 October 2004. This resulted in the postponement of the payment of second instalment of lease rent and thereby a loss of Rs.9.26 lakh, being the rental from 26 August to 16 October 2004.

The Management stated (March 2006) that the lease agreement was subject to completion of the pending works. As the rectification work of roof leakage was completed only in October 2004 and the readiness certificate was issued only on 17 October 2004, commercial operations started only from 17 October 2004 and therefore there was no loss.

The reply is not acceptable as the delay on the part of the Company to complete renovation within time resulted in foregoing the lease rental.

Extension of undue benefit – Hotel Metropole

4.22.7 The lease deed with ROHL entitled the lessee to create additional facilities including a swimming pool at their cost. The Company, however, spent (November 2003) Rs.49.28 lakh on providing a swimming pool (Rs.7 lakh), furniture (Rs.37.08 lakh) and landscaping the premises (Rs.5.20 lakh).

As the expenditure on the above items was to be met by ROHL as per the lease agreement, providing the additional facilities resulted in undue benefit of Rs.49.28 lakh.

Irregular payments – Hotel KRS

4.22.8 The tender for renovation of Hotel KRS clearly indicated that the dismantling includes carting of the debris from the site and the quoted rates should be applicable to all lead and lifts. The Company, however, admitted the claims in respect of disposal of dismounted debris away from the site as extra items (Rs.2.20 lakh) and the additional lead and lift charges (Rs.4.16 lakh) for third floor against the tender conditions. The payment of Rs.6.36 lakh was irregular and resulted in undue benefit to the contractor.

The Management stated (March 2006) that disposal of debris far away from the site only applied to removal of debris outside the premises and lead and lift applicable only upto second floor. The reply is not acceptable as there was no such mention in the tender specifications and as such cannot be considered as extra items.

To sum up

The Company did not follow the conditions prescribed in the notice inviting tender while finalising the tender. Delay in issue of work order in respect of Hotel KRS resulted in payment of Rs.9.87 lakh as escalation besides loss of revenue of Rs.1.32 crore. Delay in handing over the possession of Hotel Metropole resulted in loss of revenue of Rs.9.26 lakh. The Company gave undue benefit of Rs.49.28 lakh to ROHL.

The matter was reported to the Government (June 2006), their reply is awaited (September 2006).

STATUTORY CORPORATION

Karnataka State Warehousing Corporation

4.23 Unfruitful expenditure on construction of staff quarters

Construction of staff quarters without creating other basic amenities resulted in blocking up of funds of Rs.3.15 crore and interest burden of Rs.88.30 lakh.

The Corporation considered (July 2001) that provision of infrastructure facilities such as compound wall, office block, staff quarters, hamali sheds and water supply around the warehouses was essential to make them more functional. The Corporation decided (January 2002) to provide these infrastructure facilities at a cost of Rs.11.36 crore at 20 locations in 15 districts. The funds required were to be met with borrowings from Banks/Government. It was further decided (June 2002) to entrust the entire project to Hindustan Steel Works Construction Limited (HSCL). It was noticed in audit that the staff quarters were to be completed (both civil works and internal electrification) within nine months as per Memorandum of Understanding signed (20 June 2002) with HSCL. However, construction of Type I & II quarters were completed between April 2003 and December 2005 in 20 locations in 15 districts after delays ranging from 1 to 14 months at a total cost of Rs.3.15 crore.

As the Corporation failed to provide power connection, water supply and roads, the quarters could not be allotted to the employees so far (August 2006). This resulted in not only the unfruitful investment of Rs.3.15 crore from borrowed funds but also in un-necessary interest burden of Rs.88.30 lakh (at the rate of 12 *per cent*) per annum. The Corporation continued to incur recurring expenditure of Rs.0.17 lakh per month towards House Rent Allowance being paid to employees.

The Management stated (May 2006) that due to financial crisis, they could not provide the basic amenities such as power connection, water supply and the road to the quarters. The reply is not acceptable as the objective of the project as envisaged by the Corporation has not been achieved and the expenditure on construction has remained unfruitful.

The matter was reported to the Government (June 2006); their reply is awaited (September 2006).

General

4.24 Persistent non-compliance with Accounting Standards in preparation of Financial Statements

Accounting Standards (AS) are the accepted standards of accounting recommended by the Institute of Chartered Accountants of India and prescribed by the Central Government in consultation with the National Advisory

Committee on Accounting Standards under section 210 A of the Companies Act, 1956. The purpose of introducing AS is to facilitate the adoption of standard accounting practices by companies so that the annual accounts prepared exhibit a true and fair view of the transactions and also to facilitate the comparability of the information contained in published financial statements of companies. Under Section 211(3A) of the Companies Act, it is obligatory for every company to prepare the financial statements (profit & loss account and balance sheet) in accordance with the AS.

The Auditors are also required to report under Section 227(3) (d) of the Act, *ibid* as to whether the accounts have been prepared in compliance with AS. The extent of compliance with AS in the State Government companies was examined by audit with a view to highlight cases of persistent non-compliance of Accounting Standards in preparation of annual accounts by these companies.

A review of the financial statements and the Statutory Auditors' report thereon for the years 2001-02 to 2004-05, in respect of 80[3] Public Sector Undertakings, which finalised their previous years' accounts as of March 2006 revealed that 37 companies had persistently[4] not complied with one to six Accounting Standards as detailed in **Annexure-9.**

It would be seen from the **Annexure** that:

- nine companies[5] persistently violated AS 1, which deals with the disclosure of significant accounting policies to be followed in preparing and presenting financial statements on the basis of certain fundamental accounting assumptions viz., (a) going concern (b) consistency and (c) accrual.
- ten companies[6] persistently violated AS 2, which deals with the determination of the value at which inventories are carried in financial statements until the related revenues are realised and provides that inventories should be valued at the lower of cost or net realisable value.
- two companies[7] persistently violated AS 3, which deals with presentation of cash flow statement. The cash flow statement should report cash flows during the period classified into operating, investing and financing activities.
- two companies[8] persistently violated AS 5, which deals with net profit or loss for the period, prior period items and changes in accounting policies. The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit and loss can be perceived.

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[3] **Including 59 working Government companies; 17 non-working Government companies and 4 deemed Government companies.**

[4] **Persistent non-compliance means companies that have not complied with the same AS for more than one year and continue to disclose the fact in their latest finalised accounts.**

[5] **Sl.No. 7,11,18,20,23,34 to 37 of Annexure-9.**

[6] **Sl No. 12,14,20,22,24,26 to29 and 32 of Annexure-9.**

[7] **Sl. No. 6 and 25 of Annexure-9.**

[8] **Sl.No. 11 and 32 of Annexure-9.**

- six companies[9] persistently violated AS 6, which deals with depreciation accounting. As per this Standard, the depreciation amount of a depreciable asset should be allocated on a systematic basis to each accounting period during the useful life of the asset. The depreciation method selected should be applied consistently and changes should be made only if the adoption of the new method is required by statute.
- four companies[10] persistently violated AS 9, which deals with revenue recognition. Revenue from sales or service transaction should be recognised, if at the time of performance it is not unreasonable to expect ultimate collection. If at the time of raising any claim it is unreasonable to expect ultimate collection, revenue recognition should be postponed.
- nine companies[11] persistently violated AS 10, which deals with the accounting of fixed assets. The cost of a self constructed fixed asset should comprise those costs that relate directly to the specific assets and those that are attributable to the construction activity in general and can be allocated to the specific asset. Items retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements.
- one company (Karnataka Telecom Limited - Sl.No.35 of **Annexure-9**) persistently violated AS 11, which deals with accounting for effects of changes in foreign exchange rates.
- eight companies[12] persistently violated AS 12, which deals with the accounting of Government grants. As per the Standard, Government grants related to specific fixed assets should be presented in the balance sheet by showing the grants as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to specific fixed asset equals the whole or virtually the whole of the cost of the asset, the asset should be shown in the balance sheet at a nominal value.
- two companies[13] persistently violated AS 13, which deals with the accounting of investments. As per this Standard, any reduction in the carrying amount and any reversals of such reduction should be charged or credited to the profit and loss statement.
- thirteen companies[14] persistently violated AS 15, which deals with accounting for retirement benefits to employees (viz., provident fund, pension, gratuity, leave encashment etc.) and provides that the contribution payable by the employer towards retirement benefits be charged to statement of profit and loss for the year on accrual basis and the accruing liability calculated according to actuarial valuation.

[9] Sl.No. 8,12,21,24,26 and 28 of Annexure-9.
[10] Sl.No. 11,16,17,33 of Annexure-9.
[11] Sl.No. 12,15,23,24,26 to 30 of Annexure-9.
[12] Sl. No. 2,6,8,16,18,25,27 and 29 of Annexure-9.
[13] Sl.No. 9 and 32 of Annexure-9.
[14] Sl.No. 1,3,4,9,10, 19,21,24,26,29,31, 34 and 37 of Annexure-9.

- four companies[15] persistently violated AS 16, which deals with the accounting for borrowing costs. Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, should be capitalized as a part of the cost of that asset.
- one company (The Karnataka Handloom Development Corporation Limited-Sl.No.6 of **Annexure-9**) persistently violated AS 17, which deals with segment reporting and establishes principles for reporting financial information about the different types of products and services and also the different geographical areas in which it operates.
- two companies[16] persistently violated AS 19, which deals with accounting of leases. As per this Standard, if a sale and lease-back transaction results in an operating lease and it is clear that the transaction is established at a fair value, any profit or loss should be recognised immediately.
- six companies[17] persistently violated AS 22, which deals with accounting for taxes. According to this Standard, the carrying amount of deferred tax assets should be reviewed at each balance sheet date. An enterprise should write down the carrying amount of deferred tax asset to the extent that is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realised.

The matter was reported to the Government (June 2006); their reply is awaited (September 2006).

4.25 Follow-up action on Audit Reports

Explanatory note outstanding

4.25.1 The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Karnataka issued instructions (January 1974) to all Administrative Departments to submit explanatory notes indicating a corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Audit Reports for the years 2000-01 to 2004-05 were presented to the State Legislature between March 2002 and March 2006. Seven out of nine

[15] Sl. No. 26 to 29 of Annexure-9.
[16] Sl. No. 20 and 32 of Annexure-9.
[17] Sl. No. 3,5,13,20,26 and 32 of Annexure-9.

departments, which were commented upon, did not submit explanatory notes on 26 out of 81 paragraphs/reviews as on September 2006, as indicated below:

Year of the Audit Report (Commercial)	Total paragraphs and reviews in Audit Report	No. of paragraphs and reviews for which explanatory notes were not received
2000-01	32	1
2003-04	24	2
2004-05	25	23
Total	**81**	**26**

Department wise analysis is given below:

Name of the department	2000-01	2003-04	2004-05
Commerce and Industries	-	1	9
Energy	-	1	-
Water resources	-	-	9
Forest	-	-	1
Tourism	-	-	2
Social Welfare	-	-	1
General	1	-	1
Total	**1**	**2**	**23**

Department largely responsible for non-submission of explanatory notes were Commerce & Industries and Water Resources Department.

Compliance to reports of Committee on Public Undertakings (COPU) outstanding

4.25.2 The replies to paragraphs are required to be furnished within six months from the presentation of the Reports. Replies to 33 paragraphs pertaining to eight Reports of the COPU, presented to the State Legislature between February 2004 and August 2006, had not been furnished as on September 2006, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2003-2004	1	2
2005-2006	5	27
2006-2007	2	4
Total	**8**	**33**

4.26 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of the PSUs and concerned departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of departments within a period of six weeks. A review of Inspection reports issued up to March 2006 pertaining to 77 PSUs disclosed that 3,681 paragraphs relating to 1,006 inspection reports remained outstanding at the end of March 2006. Of these, 38 inspection reports containing 159 paragraphs were pending due to non-receipt of even first replies. Department wise break-up of inspection reports and audit observations outstanding as on 31 March 2006 is given in **Annexure-10.**

Similarly, draft paragraphs and reviews on the working of Public Sector Undertakings are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, 16 paragraphs and one review forwarded to the various departments during March 2006 to August 2006, as detailed in **Annexure-11**, had not been replied so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews and ATNs to recommendations of COPU, as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken within the prescribed time, and (c) the system of responding to audit observations is revamped.

BANGALORE
The
10 FEB 2007

(USHA SANKAR)
Principal Accountant General
(Civil and Commercial Audit)
Karnataka

COUNTERSIGNED

NEW DELHI
The
19 FEB 2007

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE 1

Statement showing particulars of up-to-date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2006 in respect of Government companies and Statutory corporations.
(Referred to in paragraphs 1.3,1.4,1.5,1.16 and 1.17)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A	**WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED SECTOR												
1	Karnataka State Agro Corn Products Limited	223.37	-	-	50.00	273.37	-	-	-	-	-	-	-
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited	50.00	-	-	-	50.00	-	-	-	-	-	-	-
3	Karnataka Togari Abhivridhi Mandali Limited	500.00	-	-	-	500.00	-	-	-	-	-	-	-
4	The Karnataka Fisheries Development Corporation Limited	453.64	-	-	-	453.64	-	-	-	75.00	-	75.00	0.17:1 (0.17:1)
5	Karnataka Sheep and Wool Development Corporation Limited	5.00	-	-	-	5.00	-	-	-	-	-	-	-
	SUBSIDIARIES												
6	Karnataka Compost Development Corporation Limited	-	-	26.00	24.00	50.00	-	-	-	-	331.95	331.95	6.64:1 (6.64:1)
	Sectorwise Total	**1232.01**	**-**	**26.00**	**74.00**	**1332.01**	**0.00**	**0.00**	**0.00**	**75.00**	**331.95**	**406.95**	
	INDUSTRY SECTOR												
7	Karnataka Leather Industries Development Corporation Limited	334.67	-	-	-	334.67	-	781.82	74.61	1136.39	89.00	1225.39	3.66:1 (1.16:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
8	Karnataka Soaps and Detergents Limited	3182.21	-	-	-	3182.21	-	-	-	1994.06	-	1994.06	0.63:1 (0.67:1)
9	Karnataka State Coir Development Corporation Limited	301.15	-	-	-	301.15	-	-	-	41.25	5.10	46.35	0.15:1 (0.15:1)
10	Karnataka State Small Industries Development Corporation Limited	2466.36	-	-	-	2466.36	-	-	-	1487.80	-	1487.80	0.60:1 (0.61:1)
11	The Mysore Paper Mills Limited	7692.26 (155.75)	-	-	4192.22	11884.48 (155.75)	-	-	-	9100.01	5938.68	15038.69	1.25:1 (1.35:1)
	Sectorwise Total	**13976.65 (155.75)**	**0.00**	**0.00**	**4192.22**	**18168.87 (155.75)**	**0.00**	**781.82**	**74.61**	**13759.51**	**6032.78**	**19792.29**	
	ENGINEERING SECTOR												
12	Karnataka Vidyuth Karkhane Limited	561.92	-	-	-	561.92	-	198.06	-	700.65	1000.41	1701.06	3.03:1 (0.33:1)
13	The Mysore Electrical Industries Limited	766.51	-	-	175.96	942.47	-	-	-	2854.00	50.80	2904.80	3.08:1 (3.08:1)
	SUBSIDIARIES												
14	NGEF (Hubli) Limited	-	-	320.00	-	320.00	-	-	-	70.00	-	70.00	0.22:1 (0.22:1)
	Sectorwise Total	**1328.43**	**0.00**	**320.00**	**175.96**	**1824.39**	**0.00**	**198.06**	**0.00**	**3624.65**	**1051.21**	**4675.86**	
	ELECTRONICS SECTOR												
15	Karnataka State Electronics Development Corporation Limited	787.20	-	-	-	787.20	-	-	-	685.00	6000.00	6685.00	8.49:1 (8.49:1)
	Sectorwise Total	**787.20**	**0.00**	**0.00**	**0.00**	**787.20**	**0.00**	**0.00**	**0.00**	**685.00**	**6000.00**	**6685.00**	
	TEXTILES SECTOR												
16	Karnataka Silk Industries Corporation Limited	3600.47	-	-	-	3600.47	-	-	-	2556.30	-	2556.30	0.71:1 (0.72:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
17	Karnataka Silk Marketing Board Limited	3145.00	-	-	-	3145.00	-	-	-	-	-	-	-
18	Karnataka State Power loom Development Corporation Limited	183.60 (1.00)	-	-	-	183.60 (1.00)	3.00	-	-	-	-	-	-
	Sectorwise Total	**6929.07 (1.00)**	**0.00**	**0.00**	**0.00**	**6929.07 (1.00)**	**3.00**	**0.00**	**0.00**	**2556.30**	**0.00**	**2556.30**	
	HANDLOOM AND HANDICRAFTS SECTOR												
19	The Karnataka Handloom Development Corporation Limited	3918.46	519.75	-	-	4438.21	-	678.00	-	1385.25	443.06	1828.31	0.41:1 (0.26:1)
20	Karnataka State Handicrafts Development Corporation Limited	283.81	121.50	-	-	405.31	-	-	-	68.12	89.14	157.26	0.39:1 (0.40:1)
	Sectorwise Total	**4202.27**	**641.25**	**0.00**	**0.00**	**4843.52**	**0.00**	**678.00**	**0.00**	**1453.37**	**532.20**	**1985.57**	
	FOREST SECTOR												
21	Karnataka Cashew Development Corporation Limited	415.03	44.00	-	-	459.03	-	-	-	-	152.67	152.67	0.33:1 (0.33:1)
22	Karnataka Forest Development Corporation Limited	931.41	-	-	-	931.41	-	-	-	-	-	-	- (0.66:1)
23	The Karnatak State Forest Industries Corporation Limited	266.58	-	-	-	266.58	-	-	-	8.00	-	8.00	- (0.03:1)
	Sectorwise Total	**1613.02**	**44.00**	**0.00**	**0.00**	**1657.02**	**0.00**	**0.00**	**0.00**	**8.00**	**152.67**	**160.67**	
	MINING SECTOR												
24	Mysore Minerals Limited	296.62	-	-	3.38	300.00	-	-	-	1950.92	-	1950.92	6.50:1 (6.50:1)
25	The Hutti Gold Mines Company Limited	220.19	-	72.50	3.51	296.20	-	-	698.07	5.53	698.07	703.60	2.38:1 (4.08:1)
	Sectorwise Total	**516.81**	**0.00**	**72.50**	**6.89**	**596.20**	**0.00**	**0.00**	**698.07**	**1956.45**	**698.07**	**2654.52**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CONSTRUCTION SECTOR												
26	Karnataka State Construction Corporation Limited	205.00	-	-	-	205.00	-	-	-	553.11	-	553.11	2.70:1 (2.70:1)
27	Karnataka Land Army Corporation Limited	25.00 (1200.00)	-	-	-	25.00 (1200.00)	-	-	-		12862.97	12862.97	10.50:1 (11.74:1)
28	Karnataka State Police Housing Corporation Limited	12.00	-	-	-	12.00	-	-	5500.00	-	28820.37	28820.37	2401.70:1 (2129.68:1)
29	Rajiv Gandhi Rural Housing Corporation Limited	300.00	-	-	-	300.00	-	4640.00	5085.60	4640.00	72022.31	76662.31	255.54:1 (245.35:1)
30	Karnataka Road Development Corporation Limited	1873.00 (31160.72)	-	-	-	1873.00 (31160.72)	12971.07	-	14653.83	-	59028.64	59028.64	1.79:1 (2.42:1)
	Sectorwise Total	**2415.00 (32360.72)**	**0.00**	**0.00**	**0.00**	**2415.00 (32360.72)**	**12971.07**	**4640.00**	**25239.43**	**5193.11**	**172734.29**	**177927.40**	
	AREA DEVELOPMENT SECTOR												
31	Krishna Bhagya Jala Nigam Limited	670678.95 (376403.21)	-	-	-	670678.95 (376403.21)	198101.60	-	-	-	243316.89	243316.89	0.23:1 (0.40:1)
32	Karnataka Neeravari Nigam Limited	284187.64 (0.01)	-	-	-	284187.64 (0.01)	72194.11	490.00	25000.00	490.00	119407.94	119897.94	0.42:1 (0.56:1)
33	Cauvery Neeravari Nigam Limited	80005.00 (39003.55)	-	-	-	80005.00 (39003.55)	31506.31	-	25906.90	610805.95	68014.72	678820.67	5.70:1 (7.45:1)
	Sectorwise Total	**1034871.59 (415406.77)**	**0.00**	**0.00**	**0.00**	**1034871.59 (415406.77)**	**301802.02**	**490.00**	**50906.90**	**611295.95**	**430739.55**	**1042035.50**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
34	D.Devaraj Urs Backward Classes Development Corporation Limited	7438.91 (300.00)	-	-	-	7438.91 (300.00)	300.00	-	1125.40	-	4826.46	4826.46	0.62:1 (0.60:1)
35	Karnataka State Women's Development Corporation	951.25	297.84	-	-	1249.09	48.75	-	-	-	-	-	-

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/ 3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
36	Dr.B.R.Ambedkar Development Corporation Limited	7231.66 (560.00)	6313.51 (434.00)	-	-	13545.17 (994.00)	560.00	-	3384.80	-	8239.20	8239.20	0.57:1 (0.49:1)
37	The Karnataka Minorities Development Corporation Limited	4556.45	-	-	-	4556.45	--	-	-	-	2706.99	2706.99	0.59:1 (0.59:1)
	Sectorwise Total	**20178.27 (860.00)**	**6611.35 (434.00)**	**0.00**	**0.00**	**26789.62 (1294.00)**	**908.75**	**0.00**	**4510.20**	**0.00**	**15772.65**	**15772.65**	
	PUBLIC DISTRIBUTION SECTOR												
38	Karnataka Food and Civil Supplies Corporation Limited	325.00	-	-	-	325.00	-	-	-	-	944.46	944.46	2.91:1 (2.91:1)
	Sectorwise Total	**325.00**	**0.00**	**0.00**	**0.00**	**325.00**	**0.00**	**0.00**	**0.00**	**0.00**	**944.46**	**944.46**	
	SUGAR SECTOR												
39	The Mysore Sugar Company Limited	780.75	-	-	92.68	873.43	-	3608.77	-	3608.77	7581.68	11190.45	12.81:1 (8.68:1)
	Sectorwise Total	**780.75**	**0.00**	**0.00**	**92.68**	**873.43**	**0.00**	**3608.77**	**-**	**3608.77**	**7581.68**	**11190.45**	
	TOURISM SECTOR												
40	The Karnataka State Tourism Development Corporation Limited	500.00 (141.36)	-	-	-	500.00 (141.36)	-	-	-	200.00	126.06	326.06	0.51:1 (0.82:1)
41	Jungle Lodges and Resorts Limited	49.69	-	-	42.06	91.75	-	-	-	4.00	211.22	215.22	2.35:1 (2.73:1)
	Sectorwise Total	**549.69 (141.36)**	**0.00**	**0.00**	**42.06**	**591.75 (141.36)**	**0.00**	**0.00**	**0.00**	**204.00**	**337.28**	**541.28**	
	CHEMICALS SECTOR												
42	The Mysore Paints and Varnish Limited	94.73	-	-	8.92	103.65	-	-	-	-	-	-	-
	Sectorwise Total	**94.73**	**0.00**	**0.00**	**8.92**	**103.65**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
	POWER SECTOR												
43	Karnataka Power Corporation Limited	66298.15	-	-	-	66298.15	-	-	68056.15	-	292294.05	292294.05	4.41:1 (3.71:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/ 3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
44	Visveswaraya Vidyuth Nigam Limited	8028.07 (234.49)	-	-	-	8028.07 (234.49)	-	-	-	91.00	4239.62	4330.62	0.52:1 (0.67:1)
45	Karnataka Renewable Energy Development Limited	49.80 (0.20)	-	-	-	49.80 (0.20)	-	-	-	-	7760.00	7760.00	155.20:1 (194.00:1)
46	Karnataka Power Transmission Corporation Limited	69032.25 (2262.47)	-	-	-	69032.25 (2262.47)	-	-	18721.30	944.69	131438.50	132383.19	1.86:1 (1.88:1)
47	Bangalore Electricity Supply Company Limited	20595.00 (476.54)	-	-	-	20595.00 (476.54)	-	43.75	10230.58	6800.00	44099.16	50899.16	2.42:1 (2.24:1)
48	Hubli Electricity Supply Company Limited	23333.61	-	-	-	23333.61	-	2266.00	29949.00	8125.65	55391.12	63516.77	2.72:1 (1.69:1)
49	Mangalore Electricity Supply Company Limited	5.00 (11504.14)	-	-	-	5.00 (11504.14)	-	43.75	408.13	131.25	16993.80	17125.05	1.49:1 (2.59:1)
50	Chamundeshwari Electricity Supply Corporation Limited	5.00 (1410.43)	-	-	-	5.00 (1410.43)	5.00	233.00	-	3642.56	14221.25	17863.81	12.62:1
51	Gulbarga Electicity Supply Company Limited	5.00 (13008.61)	-	-	-	5.00 (13008.61)	-	-	20591.27	-	23145.74	23145.74	1.78:1 (0.91:1)
	SUBSIDIARIES												
52	KPC Bidadi Power Corporation Private Limited	-	-	5.00	-	5.00	-	-	99.78	-	2678.67	2678.67	535.73:1 (515.78:1)
	Sectorwise Total	**187351.88 (28896.88)**	**0.00**	**5.00**	**0.00**	**187351.88 (28896.88)**	**5.00**	**2586.50**	**148056.21**	**19735.15**	**592261.91**	**611997.06**	
	FINANCING SECTOR												
53	Karnataka State Industrial Investment and Development Corporation Limited	19032.51 (9966.08)	-	-	- (19063.41)	19032.51 (29029.49)	2634.65	-	-	15.00	68115.33	68130.33	1.42:1 (1.90:1)
54	Karnataka Urban Infrastructure Development and Finance Corporation Limited	606.48	-	-	200.00	806.48	-	-	-	-	-	-	-
	Sectorwise Total	**19638.99 (9966.08)**	**0.00**	**0.00**	**200.00 (19063.41)**	**19838.99 (29029.49)**	**2634.65**	**0.00**	**0.00**	**15.00**	**68115.33**	**68130.33**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS SECTOR												
55	Karnataka State Beverages Corporation Limited	200.00	-	-	-	200.00	-	-	2796.05	253.19	2795.27	3048.46	15.24:1 (8.03:1)
56	Bangalore Metro Rail Corporation Limited	5.00	-	-	-	5.00	-	9224.00	-	23699.00	-	23699.00	4739.80:1 (6414.42:1)
57	Sree Kanteerava Studios Limited	82.08	-	-	5.90	87.98	-	-	-	106.51	-	106.51	1.21:1 (1.21:1)
	SUBSIDIARIES												
58	Marketing Consultants and Agencies Limited	- (345.74)	-	357.25	-	357.25 (345.74)	-	-	-	-	-	-	-
59	Mysore Sales International Limited	- (746.33)	-	366.23 (1651.43)	-	366.23 (2397.76)	-	-	-	500.00	-	500.00	0.18:1 (0.22:1)
	Sectorwise Total	**287.08 (1092.07)**	**0.00**	**723.48 (1651.43)**	**5.90**	**1016.46 (2743.50)**	**0.00**	**9224.00**	**2796.05**	**24558.70**	**2795.27**	**27353.97**	
	TOTAL A (All sectorwise Government companies)	**1297078.44 (488880.63)**	**7296.60 (434.00)**	**1146.98 (1651.43)**	**4798.63 (19063.41)**	**1310320.65 (510029.47)**	**318324.49**	**22207.15**	**232281.47**	**688728.96**	**1306081.30**	**1994810.26**	**1.10:1 (1.32:1)**
B	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT SECTOR												
1	Karnataka State Road Transport Corporation	18428.94	4909.76	-	-	23338.70	1300.00	-	7500.00	4436.29	19301.69	23737.98	1.02:1 (1.01:1)
2.	Bangalore Metropolitan Transport Corporation	9271.73	-	-	-	9271.73	2800.00	-	476.62	-	2641.80	2641.80	0.28:1 (0.45:1)
3.	North Western Karnataka Road Transport Corporation	11563.67	-	-	-	11563.67	1300.00	-	9791.00	104.66	17181.26	17285.92	1.49:1 (1.20:1)
4.	North Eastern Karnataka Road Transport Corporation	10350.05	-	-	-	10350.05	1100.00	-	4520.35	86.95	6046.43	6133.38	0.59:1 (0.35:1)
	Sectorwise Total	**49614.39**	**4909.76**	**0.00**	**0.00**	**54524.15**	**6500.00**	**0.00**	**22287.97**	**4627.90**	**45171.18**	**49799.08**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money) State Government	Central Government	Holding Companies	Others	Total	Equity/loans received out of Budget during the year Equity	Loans	Other loans received during the year	Loans * outstanding at the close of 2005-06 Government	Others	Total	Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	FINANCING SECTOR												
5.	Karnataka State Financial Corporation	6837.88 (2683.00)	-	-	2946.66 (917.69)	9784.54 (3600.69)	-	-	44182.00	245.00	182334.00	182579.00	13.64:1 (13.56:1)
	Sectorwise Total	**6837.88 (2683.00)**	**0.00**	**0.00**	**2946.66 (917.69)**	**9784.54 (3600.69)**	**0.00**	**0.00**	**44182.00**	**245.00**	**182334.00**	**182579.00**	
	AGRICULTURE AND ALLIED SECTOR												
6.	Karnataka State Warehousing Corporation	410.00 (255.00)	340.00	-	-	750.00 (255.00)	10.00	-	-	1280.00	2495.07	3775.07	3.76:1 (4.20:1)
	Sectorwise Total	**410.00 (255.00)**	**340.00**	**0.00**	**0.00**	**750.00 (255.00)**	**10.00**	**0.00**	**0.00**	**1280.00**	**2495.07**	**3775.07**	
	TOTAL B (all sectorwise Statutory corporations)	**56862.27 (2938.00)**	**5249.76**	**0.00**	**2946.66 (917.69)**	**65058.69 (3855.69)**	**6510.00**	**0.00**	**66469.97**	**6152.90**	**230000.25**	**236153.15**	**3.43:1 (3.63:1)**
	Grand total (A + B)	**1353940.71 (491818.63)**	**12546.36 (434.00)**	**1146.98 (1651.43)**	**7745.29 (19981.10)**	**1375379.34 (513885.16)**	**324834.49**	**22207.15**	**298751.44**	**694881.86**	**1536081.55**	**2230963.41**	**1.18:1 (1.41:1)**
C	**NON WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED SECTOR												
1.	Karnataka Agro Industries Corporation Limited	754.09 (4836.32)	-	-	-	754.09 (4836.32)	-	-	-	6810.37	-	6810.37	1.22:1 (1.22:1)
2	Karnataka Agro Proteins Limited	33.54	-	-	27.39	60.93	-	-	-	-	-	-	-
	SUBSIDIARIES												
3	The Mysore Tobacco Company Limited	2.00 (58.52)	-	11.05	5.81	18.86 (58.52)	-	-	-	-	-	-	-
	Sectorwise Total	**789.63 (4894.84)**	**0.00**	**11.05**	**33.20**	**833.88 (4894.84)**	**0.00**	**0.00**	**0.00**	**6810.37**	**0.00**	**6810.37**	
	INDUSTRY SECTOR												
4	Karnataka Small Industries Marketing Corporation Limited	136.00	-	35.00	-	171.00	-	-	-	-	-	-	-

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
5	The Mysore Lamp Works Limited	1075.58	-	-	105.44	1181.02	-	1243.57	-	9383.15	350.00	9733.15	8.24:1 (8.24:1)
6	Vijayanagar Steel Limited	1290.58	-	-	-	1290.58	-	-	-	58.35	-	58.35	0.05:1 (0.05:1)
	SUBSIDIARIES												
7	The Mysore Cosmetics Limited	- (1.14)	-	15.00	-	15.00 (1.14)	-	-	-	-	-	-	-
8	Karnataka Telecom Limited	78.00	-	222.00	-	300.00	-	-	-	-	-	-	-
9	The Mysore Chrome Tanning Company Limited	-	-	72.09	3.65	75.74	-	-	-	12.03	38.56	50.59	0.67:1 (0.67:1)
	Sectorwise Total	**2580.16 (1.14)**	**0.00**	**344.09**	**109.09**	**3033.34 (1.14)**	**0.00**	**1243.57**	**0.00**	**9453.53**	**388.56**	**9842.09**	
	ENGINEERING SECTOR												
10	NGEF Limited	4198.70	-	-	452.00	4650.70	-	-	-	22724.00	-	22724.00	4.89:1 (4.89:1)
11	Chamundi Machine Tools Limited	63.50	-	-	-	63.50	-	-	-	248.53	44.32	292.85	4.61:1 (4.61:1)
	Sectorwise Total	**4262.20**	**0.00**	**0.00**	**452.00**	**4714.20**	**0.00**	**0.00**	**0.00**	**22972.53**	**44.32**	**23016.85**	
	TEXTILES SECTOR												
12	Karnataka State Textiles Limited	50.00	-	-	-	50.00	-	-	-	1493.59	-	1493.59	29.87:1 (29.87:1)
	Sectorwise Total	**50.00**	**0.00**	**0.00**	**0.00**	**50.00**	**0.00**	**0.00**	**0.00**	**1493.59**	**0.00**	**1493.59**	
	FOREST SECTOR (SUBSIDIARIES)												
13	Karnataka Pulpwood Limited	-	-	125.00	-	125.00	-	-	-	-	-	-	-
14	The Karnatak State Veeners Limited	-	-	51.00	49.00	100.00	-	-	-	-	99.98	99.98	1.00:1 (1.00:1)
15	The Mysore Match Company Limited	0.50	-	2.95	1.55	5.00	-	-	-	-	-	-	-
	Sectorwise Total	**0.50**	**0.00**	**178.95**	**50.55**	**230.00**	**0.00**	**0.00**	**0.00**	**0.00**	**99.98**	**99.98**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CHEMICALS SECTOR												
16	The Mysore Acetate and Chemicals Company Limited	995.70	-	-	221.82	1217.52	-	-	-	1311.00	-	1311.00	1.08:1 (1.08:1)
	Sectorwise Total	**995.70**	**0.00**	**0.00**	**221.82**	**1217.52**	**0.00**	**0.00**	**0.00**	**1311.00**	**0.00**	**1311.00**	
	MISCELLANEOUS SECTOR												
17	Karnataka Film Industries Development Corporation Limited	90.00	-	-	12.38	102.38	-	-	-	-	-	-	- (1.69:1)
	Sectorwise Total	**90.00**	**0.00**	**0.00**	**12.38**	**102.38**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
	TOTAL C (All sectorwise Government companies)	8768.19 (4895.98)	0.00	534.09	879.04	10181.32 (4895.98)	0.00	1243.57	0.00	42041.02	532.86	42573.88	2.82:1 (2.84:1)
	Grand Total (A + B + C)	1362708.90 (496714.61)	12546.36 (434.00)	1681.07 (1651.43)	8624.34 (19981.10)	1385560.66^ (518781.14)	324834.49	23450.72	298751.44	736922.88	1536614.41	2273537.29	1.19:1 (1.43:1)

Note: Except in respect of companies and corporations, which finalised their accounts for 2005-06 (Sl.No. A - 2, 6, 9-18, 20, 21, 23, 25, 28-33, 36, 38, 39, 42, 43, 46, 48, 49, 52, 53-59; B – 1, 2, 6 and C - 3, 5,6, 9, 11, 15 and17) figures are provisional and as given by the companies/corporations.

* **Loans outstanding at the close of 2005-06 represent long term loans only.**

^ **State Government's investment in PSU's was Rs.25,963.46 crore (Others: Rs. 15,815.33 crore). Figures as per Finance Accounts, 2005-06 is Rs.15,229.94 crore. The difference is under reconciliation.**

ANNEXURE 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised.
(Referred to in paragraphs 1.6,1.7,1.8,1.13,1.19,1.20 and 1.22)

(Figures in column 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A	WORKING GOVERNMENT COMPANIES														
I.	AGRICULTURE AND ALLIED SECTOR														
1	Karnataka State Agro Corn Products Limited	Agriculture & Horticulture	Apr. 73	2004-05	2005-06	-238.56	-	273.37	1051.94	1551.79	-209.39	-	1	3184.36	352
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited	Agriculture & Horticulture	Apr. 96	2005-06	2006-07	27.76	-	50.00	485.27	573.44	27.76	4.84	-	697.04	11
3	Karnataka Togari Abhivridhi Mandali Limited	Agriculture & Horticulture	May 02	2004-05	2005-06	1.04	-	500.00	9.57	510.73	1.04	0.20	1	-	3
4	The Karnataka Fisheries Development Corporation Limited	Animal Husbandry & Fisheries	Oct .70	2004-05	2006-07	-0.85	-	453.64	-939.98	-96.14	24.36	-	1	2007.53	212
5	Karnataka Sheep and Wool Development Corporation Limited	Animal Husbandry & Fisheries	Dec. 01	2003-04	2005-06	-10.95	-	5.00	-12.58	605.36	-10.95	-	2	4.99	263
	SUBSIDIARY														
6	Karnataka Compost Development Corporation Limited	Agriculture & Horticulture	Aug .75	2005-06	2006-07	-0.21	-	50.00	-70.68	475.42	-9.96	-	-	157.95	41
	Sectorwise Total					**-221.77**		**1332.01**	**523.54**	**3620.60**	**-177.14**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INDUSTRY SECTOR														
7	Karnataka Leather Industries Development Corporation Limited	Commerce & Industries	Oct. 76	2002-03	2006-07	-226.01	-	334.67	-1419.10	-336.06	-204.18	-	3	499.39	283
8	Karnataka Soaps and Detergents Limited	Commerce & Industries	July 80	2004-05	2005-06	-267.90	-	3182.21	-255.73	6099.95	-209.10	-	1	10179.71	1090
9	Karnataka State Coir Development Corporation Limited	Commerce & Industries	Feb. 85	2005-06	2006-07	-56.79	-	301.15	-308.52	465.41	-50.52	-	-	185.50	48
10	Karnataka State Small Industries Development Corporation Limited	Commerce & Industries	June 64	2005-06	2006-07	513.45	-	2466.36	1354.60	6766.40	529.81	7.83	-	4378.28	403
11	The Mysore Paper Mills Limited	Commerce & Industries	May 36	2005-06	2006-07	258.66	-	12040.23	-5404.50	23631.50	2738.47	11.59	-	34023.58	2639
	Sectorwise Total					**221.41**		**18324.62**	**-6033.25**	**36627.20**	**2804.48**	-	-	-	-
	ENGINEERING SECTOR														
12	Karnataka Vidyuth Karkhane Limited	Commerce & Industries	Oct. 76	2005-06	2006-07	-129.56	-	561.92	-2072.47	653.94	-55.38	-	-	689.43	288
13	The Mysore Electrical Industries Limited	Commerce & Industries	Feb.45	2005-06	2006-07	76.72	-	942.47	-2533.83	5401.09	332.47	6.16	-	5169.68	279
	SUBSIDIARY														
14	NGEF (Hubli) Limited	Commerce & Industries	Dec. 88	2005-06	2006-07	50.69	-	320.00	216.41	924.28	63.34	6.85	-	1227.40	158
	Sectorwise Total					**-2.15**		**1824.39**	**-4389.89**	**6979.31**	**340.43**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS SECTOR														
15	Karnataka State Electronics Development Corporation Limited	Information Technology	Sep. 76	2005-06	2006-07	234.44	-	787.20	-1356.60	6410.14	197.34	3.08	-	1034.22	193
	Sectorwise Total					**234.44**		**787.20**	**-1356.60**	**6410.14**	**197.34**	-	-	-	-
	TEXTILES SECTOR														
16	Karnataka Silk Industries Corporation Limited	Commerce & Industries	Apr. 80	2005-06	2006-07	182.01	-	3600.47	-5424.57	1799.12	255.46	14.20	-	2844.48	830
17	Karnataka Silk Marketing Board Limited	Commerce & Industries	Nov. 79	2005-06	2006-07	-195.06	-	3145.00	-1097.22	2151.81	-195.06	-	-	1218.75	159
18	Karnataka State Power loom Development Corporation Limited	Commerce & Industries	Feb. 94	2005-06	2006-07	95.35	-	184.60	481.43	666.27	147.70	22.17	-	2358.07	11
	Sectorwise Total					**82.30**		**6930.07**	**-6040.36**	**4617.20**	**208.10**	-	-	-	-
	HANDLOOM AND HANDICRAFTS SECTOR														
19	Karnataka Handloom Development Corporation Limited	Commerce & Industries	Oct. 75	2004-05	2005-06	-785.17	-	4438.21	-5279.06	4748.30	-175.36	-	1	7643.44	920
20	Karnataka State Handicrafts Development Corporation Limited	Commerce & Industries	Mar .64	2005-06	2006-07	143.67	-	405.31	167.05	765.22	143.63	18.77	-	3213.35	238
	Sectorwise Total					**-641.50**		**4843.52**	**-5112.01**	**5513.52**	**-31.73**	-	-	-	-
	FOREST SECTOR														
21	Karnataka Cashew Development Corporation Limited	Forest ecology & Environment	Feb. 78	2005-06	2006-07	56.78	-	459.03	-25.19	606.23	56.78	9.37	-	380.66	125

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Number of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
22	Karnataka Forest Development Corporation Limited	Forest ecology & Environment	Jan. 71	2004-05	2005-06	-666.07	-	931.41	102.55	5390.65	-591.19	-	1	3123.49	1945
23	The Karnatak State Forest Industries Corporation Limited	Forest ecology & Environment	Mar .73	2005-06	2006-07	186.75	-	266.58	259.04	806.77	186.75	23.15	-	1910.53	270
	Sectorwise Total					**-422.54**		**1657.02**	**336.40**	**6803.65**	**-347.66**	-	-	-	-
	MINING SECTOR														
24	Mysore Minerals Limited	Commerce & Industries	May 66	2004-05	2005-06	4553.53	-	300.00	-764.37	2039.63	4598.48	225.46	1	11118.45	2247
25	The Hutti Gold Mines Company Limited	Commerce & Industries	July 47	2005-06	2006-07	8192.50	-	296.20	14760.91	11247.33	5906.24	52.51	-	20715.62	4121
	Sectorwise Total					**12746.03**		**596.20**	**13996.54**	**13286.96**	**10504.72**	-	-	-	-
	CONSTRUCTION SECTOR														
26	Karnataka State Construction Corporation Limited	Public works	Sep. 68	2004-05	2005-06	-21.05	-	205.00	1541.31	2543.46	51.12	-	1	2155.94	206
27	Karnataka Land Army Corporation Limited	Rural development & Panchayat Raj	Aug. 74	2004-05	2005-06	-533.85	-	1225.00	1141.06	17322.72	-440.97	-	1	24732.85	1062
28	Karnataka State Police Housing Corporation Limited	Home	June 85	2005-06	2006-07	£	-	12.00	-	28862.45	-	-	-	#	188
29	Rajiv Gandhi Rural Housing Corporation Limited	Housing	April 2000	2005-06	2006-07	£	-	300.00	-	44611.21	-	-	-	#	32
30	Karnataka Road Development Corporation Limited.	Public works	July 99	2005-06	2006-07	-1320.19	-	33033.72	5926.09	89936.33	540.14	0.60	-	91.29	52
	Sectorwise Total					**-1875.09**		**34775.72**	**8608.46**	**183276.17**	**150.29**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AREA DEVELOPMENT SECTOR														
31	Krishna Bhagya Jala Nigam Limited	Water Resources	Aug. 94	2005-06	2006-07	$	-	1047082.16	-	791981.81	-	-	-	-	4445
32	Karnataka Neeravari Nigam Limited	Water Resources	Nov. 98	2005-06	2006-07	$	-	284187.65	-	404085.59	-	-	-	-	17
33	Cauvery Neeravari Nigam Limited	Water Resources	June 03	2005-06	2006-07	$	-	119008.55	-	766496.97	-	-	-	-	4610
	Sectorwise Total					-		**1450278.36**	**0.00**	**1962564.37**	**0.00**	-	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR														
34	D.Devaraj Urs Backward Classes Development Corporation Limited	Social welfare	Oct. 77	2004-05	2005-06	-344.30	-	7438.91	-1906.23	11608.16	-246.74	-	1	379.86	77
35	Karnataka State Women's Development Corporation	Women & Child Development	Sep. 87	2004-05	2005-06	35.80	-	1200.34	368.81	2972.24	35.80	1.20	1	127.51	44
36	Dr.B.R.Ambedkar Development Corporation Limited	Social welfare	Mar. 75	2005-06	2006-07	4.11	-	14539.17	-63.97	21491.49	251.63	1.17	-	1116.39	273
37	The Karnataka Minorities Development Corporation Limited	Social welfare	Feb. 86	2004-05	2005-06	-280.86	-	4556.45	-1417.07	7558.39	-169.36	-	1	115.66	39
	Sectorwise Total					**-585.25**		**27734.87**	**-3018.46**	**43630.28**	**-128.67**	-	-	-	-
	PUBLIC DISTRIBUTION SECTOR														
38	Karnataka Food and Civil Supplies Corporation Limited	Food Civil Supplies & Consumer Affairs	Sep. 73	2005-06	2006-07	1236.30	-	325.00	7661.87	16542.96	1419.53	8.58	-	103461.25	1445
	Sectorwise Total					**1236.30**	-	**325.00**	**7661.87**	**16542.96**	**1419.53**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	SUGAR SECTOR														
39	The Mysore Sugar Company Limited	Commerce & Industries	Jan. 33	2005-06	2006-07	-1207.21	-	873.43	-15177.24	1323.96	-488.44	-	-	2783.96	988
	Sectorwise Total					**-1207.21**		**873.43**	**-15177.24**	**1323.96**	**-488.44**	**-**	**-**	**-**	**-**
	TOURISM SECTOR														
40	The Karnataka State Tourism Development Corporation Limited	Information, Tourism & Youth Services	Feb. 71	2004-05	2005-06	206.32	-	641.36	-379.73	1086.76	274.64	25.27	1	1547.20	394
41	Jungle Lodges and Resorts Limited	Information, Tourism & Youth Services	Mar .80	2004-05	2005-06	89.24	-	91.75	175.53	1172.15	76.65	6.54	1	1096.61	175
	Sectorwise Total					**295.56**		**733.11**	**-204.20**	**2258.91**	**351.29**	**-**	**-**	**-**	**-**
	CHEMICALS SECTOR														
42	The Mysore Paints and Varnish Limited	Commerce & Industries	Nov .47	2005-06	2006-07	175.78	-	103.65	918.40	1172.64	171.88	14.66	-	1154.85	75
	Sectorwise Total					**175.78**		**103.65**	**918.40**	**1172.64**	**171.88**	**-**	**-**	**-**	**-**
	POWER SECTOR														
43	Karnataka Power Corporation Limited	Energy	July 70	2005-06	2006-07	25157.61	-	66298.15	181606.64	729238.34	60122.93	8.24	-	252066.88	6437
44	Visveswaraya Vidyuth Nigam Limited	Energy	July 99	2004-05	2005-06	1553.64	-	8262.56	3131.51	18244.09	2142.75	11.74	1	15901.12	563
45	Karnataka Renewable Energy Development Limited	Energy	Mar.96	2003-04	2004-05	2.04	-	50.00	136.10	12418.70	29.92	0.24	2	143.93	60

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp- oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula- ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn- over	Num- ber of emp- loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
46	Karnataka Power Transmission Corporation Limited	Energy	July 99	2005-06	2006-07	5200.55	-	71294.72	24776.32	433129.60	42677.13	9.85	-	158210.89	5627
47	Bangalore Electricity Supply Company Limited	Energy	Apr. 02	2004-05	2005-06	8846.18	-	20831.28	3068.84	204534.11	11335.15	5.54	1	364373.60	10843
48	Hubli Electicity Supply Company Limited	Energy	Apr. 02	2005-06	2006-07	2335.24	-	23333.61	5545.07	123169.01	9827.86	7.98	-	100868.50	6900
49	Mangalore Electricity Supply Company Limited	Energy	Apr. 02	2005-06	2006-07	1145.98	-	11509.14	5242.68	73182.94	4311.02	5.89	-	84682.88	8102
50	Chamundeshwari Electricity Supply Corporation Limited	Energy	Dec.04	First accounts pending		-	-	1415.43	-	-	-	-	1	-	4530
51	Gulbarga Electicity Supply Company Limited	Energy	Apr. 02	2004-05	2005-06	408.51	-	13013.61	255.14	428327.39	2109.58	0.49	1	68735.85	4161
	SUBSIDIARY														
52	KPC Bidadi Power Corporation Private Limited	Energy	Apr. 96	2005-06	2006-07	$	-	5.00	-	1436.07	-	-	-	-	Nil
	Sectorwise Total					**44649.75**		**216013.50**	**223762.30**	**2023680.25**	**132556.34**	**-**	**-**	**-**	**-**
	FINANCING SECTOR														
53	Karnataka State Industrial Investment and Development Corporation Limited	Commerce & Industries	July 64	2005-06	2006-07	-3849.49	-	48062.00	-57464.17	124494.41	1661.09	1.33	-	9123.70	135

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
54	Karnataka Urban Infrastructure Development and Finance Corporation Limited	Urban Development	Nov. 93	2005-06	2006-07	20.28	-	806.48	2771.20	30902.84	20.28	0.07	-	375.18	325
	Sectorwise Total					**-3829.21**		**48868.48**	**-54692.97**	**155397.25**	**1681.37**	-	-	-	-
	MISCELLANEOUS SECTORS														
55	Karnataka State Beverages Corporation Limited	Commerce & Industries	June 03	2005-06	2006-07	662.02	-	200.00	816.42	4107.70	786.64	19.15	-	297638.18	268
56	Bangalore Metro Rail Corporation Limited	Urban Development	Sep. 94	2005-06	2006-07	$	-	5.00	-	32538.70	-	-	-	-	32
57	Sree Kanteerava Studios Limited	Information, Tourism & Youth Services	Mar. 66	2005-06	2006-07	13.10	-	87.98	-116.90	31.78	13.12	41.28	-	87.77	13
	SUBSIDIARIES														
58	Marketing Consultants and Agencies Limited	Commerce & Industries	Sep. 72	2005-06	2006-07	333.11	-	702.99	1190.88	1884.33	333.11	17.68	-	2849.99	33
59	Mysore Sales International Limited	Commerce & Industries	Mar. 66	2005-06	2006-07	2738.85	-	2763.99	12868.67	15267.98	2745.78	17.98	-	188621.67	390
	Sectorwise Total					**3747.08**	-	**3759.96**	**14759.07**	**53830.49**	**3878.65**	-	-	-	-
	TOTAL A (All sectorwise Government companies)					**54603.93**		**1819761.11**	**174541.60**	**4527535.86**	**153090.78**	**3.38**	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
B	WORKING STATUTORY CORPORATIONS														
	TRANSPORT SECTOR														
1	Karnataka State Road Transport Corporation	Transport	Aug.61	2005-06	2006-07	2677.89	159.84	23338.70	-19989.86	30453.00	4003.00	13.14	-	98911.56	23626
2	Bangalore Metropolitan Transport Corporation	Transport	Aug.97	2005-06	2006-07	11488.35	-9.01	9271.73	26113.08	41751.00	11721.00	28.07	-	70340.14	19268
3	North Western Karnataka Road Transport Corporation	Transport	Nov.97	2004-05	2005-06	-6238.30	-	10263.68	-18034.93	7252.00	-5356.70	-	1	60174.57	20507
4	North Eastern Karnataka Road Transport Corporation	Transport	August 2000	2004-05	2005-06	-4030.78	2711.00	9250.05	-19107.20	-4144.00	-3737.38	-	1	34588.85	10880
	Sectorwise Total					**3897.16**		**52124.16**	**-31018.91**	**75312.00**	**6626.92**	-	-	-	-
	FINANCING SECTOR														
5	Karnataka State Financial Corporation	Finance	Mar.59	2004-05	2005-06	274.37	-2236.00	13385.23	60315.91	201078.00	17944.74	8.92	1	21795.97	1332
	Sectorwise Total					**274.37**		**13385.23**	**60315.91**	**201078.00**	**17944.74**	-	-	-	-
	AGRICULTURE AND ALLIED SECTOR														
6	Karnataka State Warehousing Corporation	Co-operation	Nov.57	2005-06	2006-07	241.69	-	1005.00	3596.16	22441.06	642.54	2.86	-	2149.11	446
	Sectorwise Total					**241.69**	-	**1005.00**	**3596.16**	**22441.06**	**642.54**	-	-	-	-
	TOTAL B (all sectorwise Statutory Corporations)					**4413.22**	-	**66514.39**	**32893.16**	**298831.06**	**25217.20**	**8.44**	-	-	-
	Grand total (A+B)					**59017.15**		**1885281.50**	**207434.76**	**4826366.92**	**178307.98**	**3.69**	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorporation	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turnover	Number of employees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
C	**NON WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED SECTOR														
1	Karnataka Agro Industries Corporation Limited	Agriculture & Horticulture	Sep. 67	2003-04	2005-06	-3273.36	-	5590.41	-14897.58	-2332.67	-2841.39	-	2	3671.60	NIL
2	Karnataka Agro Proteins Limited	Agriculture & Horticulture	Apr .75	2002-03	2003-04	233.92	-	60.93	-219.61	5.45	233.92	4292.11	1	Under liquidation since June 2004	NIL
3	The Mysore Tobacco Company Limited	Agriculture & Horticulture	Apr .37	2005-06	2006-07	-41.54	-	77.38	-1163.74	139.34	12.01	8.62	-	-	NIL
	Sectorwise total					**-3080.98**		**5728.72**	**-16280.93**	**-2187.88**	**-2595.46**	-	-	-	-
	INDUSTRY SECTOR														
4	Karnataka Small Industries Marketing Corporation Limited	Commerce & Industries	Sep. 84	2004-05	2005-06	-73.51	-	171.00	205.78	376.78	-73.51	-	1	-	14
5	The Mysore Lamp Works Limited	Commerce & Industries	Aug.36	2005-06	2006-07	2078.20	-	1181.02	-17404.37	-7059.75	-2078.19	-	-	-	NIL
6	Vijayanagar Steel Limited	Commerce & Industries	Dec. 82	2005-06	2006-07	-	-	1290.58	-1.23	1331.21	-	-	-	-	5
	SUBSIDIARIES														
7.	The Mysore Cosmetics Limited	Commerce & Industries	Mar .66	2003-04	2004-05	-95.77	-	16.14	-311.72	-23.11	-4.05	-	Under liquidation since September 2003		NIL
8	Karnataka Telecom Limited	Commerce & Industries	July 85	2003-04	2004-05	5.01	-	300.00	-3610.93	-2923.17	5.00	-	Under liquidation since April 2002		NIL
9	The Mysore Chrome Tanning Company Limited	Commerce & Industries	Mar .40	2005-06	2006-07	5.37	-	75.74	-999.10	-529.05	6.67	-	Under liquidation since December 2003		50
	Sectorwise Total					**1919.30**		**3034.48**	**-22121.57**	**-8827.09**	**-2144.08**	-	-	-	

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ENGINEERING SECTOR														
10	NGEF Limited	Commerce & Industries	Apr. 65	2002-03	2003-04	-15747.89	-	4650.70	-40885.00	9820.81	-15769.57	-	Under liquidation since December 2002		50
11	Chamundi Machine Tools Limited	Commerce & Industries	Oct. 75	2005-06	2006-07	-0.83	-	63.50	-795.75	-149.02	-0.83	-	Under liquidation since February 2001		NIL
	Sectorwise Total					**-15748.72**		**4714.20**	**-41680.75**	**9671.79**	**-15770.40**	-	-	-	
	TEXTILES SECTOR														
12	Karnataka State Textiles Limited	Commerce & Industries	Dec. 84	1998-99	1999-00	-87.78	-	50.00	-891.46	431.91	-47.09	-	Under liquidation since November 1996		NIL
	Sectorwise Total					**-87.78**	**-**	**50.00**	**-891.46**	**431.91**	**-47.09**	-	-	-	
	FOREST SECTOR (SUBSIDIARIES)														
13	Karnataka Pulpwood Limited	Forest ecology & Environment	Feb. 85	2004-05	2005-06	-79.71	-	125.00	-2014.77	-488.89	-79.71	-	1	-	187
14	The Karnatak State Veeners Limited	Forest ecology & Environment	Aug. 74	2004-05	2005-06	-45.06	-	100.00	-885.28	26.19	-45.06	-	1	-	167
15	The Mysore Match Company Limited	Forest ecology & Environment	May 40	2005-06	2006-07	-0.46	-	5.00	-26.46	-19.87	-0.45	-	Under liquidation since August 2002		NIL
	Sectorwise Total					**-125.23**		**230.00**	**-2926.51**	**-482.57**	**-125.22**	-	-	-	
	CHEMICAL SECTOR														
16	The Mysore Acetate and Chemicals Company Limited	Commerce & Industries	Dec .63	2002-03	2003-04	-45.90	-	1217.52	-2532.70	8.69	-85.94	-	3	44.31	78
	Sectorwise Total					**-45.90**	**-**	**1217.52**	**-2532.70**	**8.69**	**-85.94**	-	-	-	

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorporation	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turnover	Number of employees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	MISCELLANEOUS SECTOR														
17	Karnataka Film Industries Development Corporation Limited	Information, Tourism & Youth Services	Feb. 68	2005-06	2006-07	-10.12	-	102.38	-100.54	1.87	-10.12	-	-	1.68	34
	Sectorwise Total					**-10.12**	**-**	**102.38**	**-100.54**	**1.87**	**-10.12**	**-**	**-**	**-**	
	TOTAL C (Non working Government companies)					**-17179.43**		**15077.30**	**-86534.46**	**-1383.28**	**-20778.31**	**-**	**-**	**-**	
	Grand Total (A+B+C)					**41837.72**		**1901352.80**	**120900.30**	**4824983.64**	**157529.67**	**-**	**-**	**-**	

(a) Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ No profit and loss account prepared, only pre-operative expenditure.

£ Excess of expenditure over income capitalised. No profit and loss account prepared.

No turnovers as the companies are engaged in development or social work.

ANNEXURE – 3

Statement showing subsidy/grants received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2006

(Referred to in paragraphs 1.5 and 1.17)

(Figures in columns 3 to 7 are Rupees in lakh)

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**WORKING GOVERNMENT COMPANIES**															
	INDUSTRY SECTOR															
1	Karnataka State Small Industries Development Corporation Limited	-	382.00 (Grants) 50.00 (Subsidy)	-	382.00 (Grants) 50.00 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
2	The Mysore Paper Mills Limited	-	1235.00 (Grants) 1440.00 (Subsidy)	-	1235.00 (Grants) 1440.00 (Subsidy)	-	- (47.29)	-	-	- (47.29)	-	770.30	-	770.30	-	-
	ENGINEERING SECTOR															
3	The Mysore Electrical Industries Limited	-	-	-	-	- (184.43)	-	-	-	- (184.43)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	ELECTRONICS SECTOR															
4	Karnataka State Electronics Development Corporation Limited	-	-	-	-	-	- (6000.00)	-	-	- (6000.00)	-	-	-	-	-	-
	TEXTILE SECTOR															
5	Karnataka State Powerloom Development Corporation Limited	-	67.70 (Grants)	-	67.70 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	HANDLOOM AND HANDICRAFTS SECTOR															
6	The Karnataka Handloom Development Corporation Limited	-	65.90 (Project subsidy) 41.65 (Subsidy)	-	65.90 (Project subsidy) 41.65 (Subsidy)	- (2685.90)	- (204.74)	-	-	- (2890.64)	-	-	-	-	-	-
7	The Karnataka Handicrafts Development Corporation Limited	-	20.00 (Grants)	-	20.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	FOREST SECTOR															
8	Karnataka Cashew Development Corporation Limited	-	57.65 (Grants)	-	57.65 (Grants)	- (156.12)	-	-	-	- (156.12)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	MINING SECTOR															
9	The Hutti Gold Mines Company Limited	-	-	-	-	-	-	116.57	-	116.57	-	-	-	-	-	-
	CONSTRUCTION SECTOR															
10	Karnataka Land Army Corporation Limited	-	-	-	-	-	- (2080.00)	-	-	- (2080.00)	-	-	-	-	-	-
11	Karnataka State Police Housing Corporation Limited	-	12452.99 (Grants)	-	12452.99 (Grants)	-	- (28820.37)	-	-	- (28820.37)	-	-	-	-	-	-
12	Rajiv Gandhi Rural Housing Corporation Limited	0.64 (Subsidy)	19316.74 (Grants) 29859.91 (Project subsidy) 5379.87 (Subsidy)	-	19316.74 (Grants) 29859.91 (Project subsidy) 5380.51 (Subsidy)	4500.00 (71667.40)	-	-	-	4500.00 (71667.40)	-	-	-	-	-	-
13	Karnataka Road Development Corporation Limited	-	4519.00 (Grants)	-	4519.00 (Grants)	-	14654.00 (59029.00)	-	-	14654.00 (59029.00)	-	-	-	-	-	-
	AREA DEVELOPMENT SECTOR															
14	Krishna Bhagya Jala Nigam Limited	-	-	-	-		- (231677.92)	-	-	- (231677.92)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
15	Karnataka Neeravari Nigam Limited	-	-	-	-	-	25000.00 (119408.00)	-	-	25000.00 (119408.00)	-	-	-	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR															
16	D.Devaraj Urs Backward Classes Development Corporation Limited	-	2125.00 (Grants) 275.00 (Project subsidy)	-	2125.00 (Grants) 275.00 (Project subsidy)	-	- (4826.00)	-	-	- (4826.00)	-	-	-	-	-	-
17	Karnataka State Women's Development Corporation	-	405.00 (Grants)	-	405.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
18	Dr.B.R.Ambedkar Development Corporation Limited	-	6166.00 (Grants)	-	6166.00 (Grants)	-	3384.80 (8300.85)	-	-	3384.80 (8300.85)	-	-	-	-	-	-
	PUBLIC DISTRIBUTION SECTOR															
19	Karnataka Food and Civil Supplies Corporation Limited	-	-	-	-	- (612.27)	-	-	-	- (612.27)	-	-	-	-	-	-
	SUGAR SECTOR															
20	The Mysore Sugar Company Limited	-	-	-	-	43.00 (43.00)	- (7160.16)	-	-	43.00 (7203.16)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	TOURISM SECTOR															
21	Jungle Lodges and Resorts Limited	-	132.12 (Grants)	-	132.12 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	POWER SECTOR															
22	Karnataka Power Corporation Limited	-	-	-	-	- (10403.00)	- (53502.00)	-	-	- (63905.00)	-	-	-	-	-	-
23	Karnataka Power Transmission Corporation Limited	-	31591.00 (Subsidy)	-	31591.00 (Subsidy)	-	- (29391.41)	-	-	- (29391.41)	-	-	-	-	-	-
24	Bangalore Electricity Supply Company Limited	-	248.75 (Grants)	-	248.75 (Grants)	-	-	-	-	-	-	-	-	-	-	-
25	Hubli Electricity Supply Company Limited	-	863.00 (Grants) 66060.72 (Subsidy)	-	863.00 (Grants) 66060.72 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
26	Mangalore Electricity Supply Company Limited	-	19.00 (Grants)	-	19.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
27	Chamundeswari Electricity Supply Corporation Limited		100.00 (Grants) 1467.91 (Project subsidy) 28588.00 (Subsidy)		100.00 (Grants) 1467.91 (Project subsidy) 28588.00 (Subsidy)	-	-	-	-		-	-	-	-	-	-
28	Gulbarga Electricity Supply Company Limited	-	38317.87 (Subsidy)	-	38317.87 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	FINANCING SECTOR															
29	Karnataka State Industrial Investment and Development Corporation Limited	-	-	-	-	-	1610.00 (26168.54)	-	-	1610.00 (26168.54)	-	-	-	-	-	-
30	Karnataka Urban Infrastructure Development and Finance Corporation Limited	1300.00 (Grants)	34229.30 (Grants)	-	35529.30 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	TOTAL A (All sectorwise Government companies)	**1300.00 (Grants) 0.64 (Subsidy)**	**82339.25 (Grants) 31668.72 (Project subsidy) 171469.11 (Subsidy)**	**0.00**	**83639.25 (Grants) 31668.72 (Project subsidy) 171469.75 (Subsidy)**	**4543.00 (85752.12)**	**44648.80 (576616.28)**	**116.57**	**0.00**	**49308.37 (662368.40)**	**0.00**	**770.30**	**0.00**	**770.30**	**0.00**	**0.00**
B.	**WORKING STATUTORY CORPORATIONS**															
	TRANSPORT SECTOR															
1.	Karnataka State Road Transport Corporation	-	1466.00 (Grants) 4534.45 (Subsidy)	-	1466.00 (Grants) 4534.45 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
2.	Bangalore Metropolitan Transport Corporation	-	4438.46 (Subsidy)	-	4438.46 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Morotorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
3	North Western Karnataka Road Transport Corporation		1300.00 (Grants) 266.46 (Project subsidy) 2170.00 (Subsidy)	-	1300.00 (Grants) 266.46 (Project subsidy) 2170.00 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
4	North Eastern Karnataka Road Transport Corporation	-	1246.46 (Subsidy)		1246.46 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
	TOTAL B (all sector wise Statutory Corporations)	**0.00**	**2766.00** **(Grants)** **266.46** **(Project subsidy)** **12389.37** **(Subsidy)**	**0.00**	**2766.00** **(Grants)** **266.46** **(Project subsidy)** **12389.37** **(Subsidy)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total (A + B)	**1300.00** **(Grants)** **0.64** **(Subsidy)**	**85105.25** **(Grants)** **31935.18** **(Project subsidy)** **183858.48** **(Subsidy)**	**0.00**	**86405.25** **(Grants)** **31935.18** **(Project subsidy)** **183859.12** **(Subsidy)**	**4543.00** **(85752.12)**	**44648.80** **(576616.28)**	**116.57**	**0.00**	**49308.37** **(662368.40)**	**0.00**	**770.30**	**0.00**	**770.30**	**0.00**	**0.00**

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
C.	NON WORKING GOVERNMENT COMPANIES															
	AGRICULTURE AND ALLIED SECTOR															
1	Karnataka Agro Industries Corporation Limited	-	-	-	-	-	- (253.10)	-	-	- (253.10)	-	-	-	-	-	-
	MISCELLANEOUS SECTOR															
2	Karnataka Film Industries Development Corporation Limited	-	-	-	-	-	-	-	-	-	173.00	-	-	173.00	-	-
	Grand Total (C)	0.00	0.00	0.00	0.00	-	- (253.10)	0.00	0.00	- (253.10)	173.00	0.00	0.00	173.00	0.00	0.00
	Grand Total of (A+B+C)	1300.00 (Grants) 0.64 (Subsidy)	85105.25 (Grants) 31935.18 (Project subsidy) 183858.48 (Subsidy)	0.00	86405.25 (Grants) 31935.18 (Project subsidy) 183859.12 (Subsidy)	4543.00 (85752.12)	44648.80 (576869.38)	116.57	0.00	49308.37 (662621.50)	173.00	770.30	0.00	943.30	0.00	0.00

Note:

Except in respect of companies and corporations, which finalised their accounts for 2005-06 (Sl.no. A – 1-5, 7-9,11-15, 18-20, 22, 23, 25, 26, 29, 30 B – 1, 2 and C-2) figures are provisional and as given by the companies/corporations.

** **Guarantees outstanding at the end of the year is shown in brackets.**

ANNEXURE 4

(Referred to in paragraph 1.7)

Statement showing financial position of Statutory corporations.

Working Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	208.39	220.39	233.39
	Borrowings (Government)	2.36	44.36	44.36
	(Others)	160.99	179.13	193.01
	Funds*	31.66	34.34	37.07
	Trade dues and other current liabilities (including provisions)	180.65	188.38	218.53
	Total	**584.05**	**666.60**	**726.36**
B.	**Assets**			
	Gross Block	531.01	634.97	806.15
	Less : Depreciation	309.99	345.16	401.79
	Net fixed assets	221.02	289.81	404.36
	Capital works-in-progress (including cost of chassis)	25.94	49.74	21.84
	Investments	0.12	1.80	0.05
	Current assets, loans and advances	82.65	97.37	96.86
	Deferred Cost	1.01	1.20	3.35
	Accumulated losses	253.31	226.68	199.90
	Total	**584.05**	**666.60**	**726.36**
C.	**Capital employed #**	**148.96**	**248.54**	**304.53**

*** Excluding depreciation fund.**

 # Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

2. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	64.72	64.72	92.72
	Borrowings (Government)	0.72	-	-
	(Others)	34.97	28.93	26.42
	Funds*	103.43	197.24	298.56
	Trade dues and other current liabilities (including provisions)	58.56	64.02	49.10
	Total	**262.40**	**354.91**	**466.80**
B.	**Assets**			
	Gross Block	279.71	379.67	433.52
	Less : Depreciation	124.00	152.53	194.72
	Net fixed assets	155.71	227.14	238.80
	Capital works-in-progress (including cost of chassis)	33.49	27.01	55.86
	Current assets, loans and advances	72.52	100.32	171.95
	Deferred Cost	0.68	0.44	0.19
	Accumulated losses	-	-	-
	Total	**262.40**	**354.91**	**466.80**
C.	**Capital employed #**	**203.16**	**290.45**	**417.51**

* **Excluding depreciation fund.**

\# **Capital employed represents net fixed assets (including capital works- in- progress) plus working capital.**

3. North Western Karnataka Road Transport Corporation, Hubli

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (provisional)
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	93.64	102.64	115.64
	Borrowings (Government)	1.05	1.05	1.05
	(Others)	111.86	121.92	171.81
	Funds*	22.04	24.76	25.90
	Trade dues and other current liabilities (including provisions)	110.86	134.15	157.58
	Total	**339.45**	**384.52**	**471.98**
B.	**Assets**			
	Gross Block	358.21	377.31	426.63
	Less: Depreciation	221.76	236.86	265.99
	Net fixed assets (Goodwill)	136.45	140.45	160.64
	Capital works-in-progress (including cost of chassis)	11.84	9.55	8.75
	Current assets, loans and advances	75.72	56.67	94.87
	Deferred revenue expenditure	0.38	0.41	0.08
	Accumulated losses	115.06	177.44	207.64
	Total	**339.45**	**384.52**	**471.98**
C.	**Capital employed #**	**113.15**	**72.52**	**106.68**

* **Excluding depreciation fund.**

\# **Capital employed represents net fixed assets (including capital works- in- progress) plus working capital.**

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (provisional)
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	83.50	92.50	103.50
	Borrowings (Government)	0.87	0.87	0.87
	(Others)	44.47	36.14	64.48
	Funds*	17.63	20.69	24.71
	Trade dues and other current liabilities (including provisions)	93.41	136.77	158.57
	Total	**239.88**	**286.97**	**352.13**
B.	**Assets**			
	Gross Block	184.62	178.72	226.10
	Less: Depreciation	132.15	136.56	136.51
	Net fixed assets	52.47	42.16	89.59
	Capital works-in-progress (including cost of chassis)	6.02	12.15	12.19
	Investments	0.05	0.05	0.05
	Current assets, loans and advances	30.03	41.02	30.46
	Deferred revenue expenditure	0.55	0.52	0.98
	Accumulated losses	150.76	191.07	218.86
	Total	**239.88**	**286.97**	**352.13**
C.	**Capital employed #**	**(-) 4.89**	**(-) 41.44**	**(-) 26.33**

* **Excluding depreciation fund.**

\# **Capital employed represents net fixed assets (including capital works- in- progress) plus working capital.**

5. Karnataka State Financial Corporation , Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (provisional)
A.	**Liabilities**			
	Paid up capital	97.85	97.85	97.85
	Share application money	26.83	26.83	26.83
	Reserve fund and other reserves and surplus	4.25	4.25	4.25
	Borrowings			
	i) Bonds and Debentures	713.85	739.45	774.57
	ii) Fixed Deposits	14.61	24.85	33.5
	iii) Industrial Development Bank of India & Small Industries Development Bank of India	1084.46	945.12	937.69
	iv) Reserve Bank of India	29.11	0.00	0.00
	v) Loan towards Share Capital- Industrial Development Bank of India	9.18	9.18	9.18
	(vi) Others (including State Government)	56.63	145.75	95.78
	Other liabilities and Provisions	421.15	486.11	484.42
	Total	**2457.92**	**2479.39**	**2464.07**
B.	**Assets**			
	Cash and Bank balances	61.06	133.52	289.23
	Investments	77.70	70.09	65.35
	Loans and Advances	1635.26	1589.13	1438.01
	Net fixed Assets	9.63	9.00	8.22
	Other assets	60.64	66.76	57.63
	Miscellaneous expenditure	613.63	610.89	605.63
	Total	**2457.92**	**2479.39**	**2464.07**
C.	**Capital Employed***	**2100.84**	**2010.78**	**1982.22**

* **Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).**

6. Karnataka State Warehousing Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
A.	**Liabilities**			
	Paid-up capital	9.90	9.95	10.05
	Reserves and Surplus	40.11	36.68	38.58
	Borrowings (Government)	12.80	12.80	12.80
	(Others)	29.77	163.06	163.09
	Trade dues and Current liabilities (including provisions)	19.63	39.69	52.95
	Total	**112.21**	**262.18**	**277.47**
B.	**Assets**			
	Gross block	87.33	96.86	99.29
	Less: Depreciation	7.16	9.02	10.52
	Net fixed assets	80.17	87.84	88.77
	Capital work-in-progress	3.44	2.37	0.09
	Investment	0.12	0.11	0.11
	Current assets, loans and advances	28.48	171.86	188.50
	Total	**112.21**	**262.18**	**277.47**
C.	**Capital employed** **	**92.46**	**222.38**	**224.41**

** **Capital employed represents net fixed assets, (including capital work-in-progress) plus working capital.**

ANNEXURE 5

(Referred to in paragraph 1.7)

Statement showing working results of Statutory corporations.

1. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
1	**Operating:**			
	a) Revenue	749.16	798.99	989.12
	b) Expenditure	716.58	830.99	1008.50
	c) Surplus (+) / Deficit (-)	(+) 32.58	(-) 32.00	(-)19.38
2	**Non-operating:**			
	a) Revenue	41.67	96.47	96.57
	b) Expenditure	40.80	36.65	40.95
	c) Surplus (+)/Deficit (-)	(+) 0.87	(+) 59.82	(+) 55.62
3	**Total**			
	a) Revenue	790.83	895.46	1085.69
	b) Expenditure	757.38	867.64	1049.45
	c) Net prior period Expenditure	7.58	1.19	9.46
	d) Net profit (+)/ Loss (-)	25.87	26.63	26.78
4	Interest on capital and loans	17.57	13.11	13.25
5	Total return on capital employed*	43.44	39.74	40.03
6	Percentage of return on capital employed	29.16	15.99	13.14

* **Return on capital employed represents net surplus/deficit plus total interest charged to profit & loss account (less interest capitalised)**

2. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
1	**Operating:**			
	a) Revenue	441.16	506.18	623.34
	b) Expenditure	397.06	479.52	580.24
	c) Surplus (+)/Deficit (-)	(+) 44.10	(+) 26.66	(+) 43.10
2	**Non-operating:**			
	a) Revenue	45.06	66.01	80.06
	b) Expenditure	9.02	12.66	8.28
	c) Surplus (+)/Deficit (-)	(+) 36.04	(+) 53.35	(+) 71.78
3	**Total**			
	a) Revenue	486.22	572.19	703.40
	b) Expenditure	406.08	492.18	588.52
	c) Net prior period Expenditure	-	-	-
	d) Net profit (+)/loss (-)	(+) 80.14	(+) 80.01	(+) 114.88
4	Interest on capital and loans	3.34	1.85	2.33
5	Total return on Capital employed*	83.48	81.86	117.21
6	Percentage of return on capital employed	41.09	28.18	28.07

* **Return on capital employed represents net surplus/deficit plus total interest charged to profit & loss account (less interest capitalised)**

3. North Western Karnataka Road Transport Corporation, Hubli

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (provisional)
1	**Operating :**			
	a) Revenue	543.67	556.76	611.43
	b) Expenditure	567.11	630.81	702.30
	c) Surplus (+)/deficit (-)	(-) 23.44	(-) 63.07	(-) 90.87
2	**Non-operating :**			
	a) Revenue	41.21	44.98	50.76
	b) Expenditure	23.27	16.91	21.68
	c) Surplus (+)/deficit (-)	(+) 17.94	(+) 28.07	(+) 29.08
3	**Total**			
	a) Revenue	584.88	601.74	662.19
	b) Expenditure	590.38	647.72	723.98
	c) Net prior period Expenditure/Credits(-)	4.19	16.40	(-)31.60
	d) Net profit (+)/loss (-)	(-) 9.69	(-) 62.38	(-) 30.19
4	Interest on capital and loans	10.50	8.81	10.58
5	Total return on Capital employed*	0.81	(-) 53.57	(-) 19.61
6	Percentage of return on capital employed	0.72	-	-

* **Return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)**

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (provisional)
1	**Operating :**			
	a) Revenue	307.49	324.74	367.35
	b) Expenditure	322.75	371.70	411.17
	c) Surplus (+)/deficit (-)	(-)15.26	(-) 46.96	(-)43.82
2	**Non-operating :**			
	a) Revenue	16.91	21.15	27.35
	b) Expenditure	12.39	10.53	11.32
	c) Surplus (+)/deficit (-)	(+)4.52	(+)10.62	16.03
3	**Total**			
	a) Revenue	324.40	345.89	394.70
	b) Expenditure	335.14	382.23	422.49
	c) Net prior period Expenditure	2.16	3.97	-
	d) Net profit (+)/loss (-)	(-)12.90	(-) 40.31	(-) 27.79
4	Interest on capital and loans	5.07	2.93	2.83
5	Total return on Capital employed*	(-)7.83	(-) 37.38	(-) 24.96
6	Percentage of return on capital employed	-	-	-

* **Return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)**

5. Karnataka State Financial Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (provisional)
1	**Income**			
	a) Interest on Loans	207.98	205.31	173.95
	b) Other Income	24.00	12.64	16.33
	Total (1)	**231.98**	**217.95**	**190.28**
2	**Expenses**			
	a) Interest on long term and short term loans	187.40	176.70	166.44
	b) Other Expenses	45.59	40.46	38.07
	c) Provision for non performing assets	(1.88)	(1.95)	(19.88)
	Total (2)	**231.11**	**215.21**	**184.63**
3	Profit (+)/Loss (-) before tax (1-2)	(+) 0.87	(+) 2.74	(+) 5.65
4	Provision for tax	-	-	-
5	Other appropriations	-	-	-
6	Amount available for dividend	-	-	-
7	Dividend	-	-	-
8	Total return on Capital Employed	188.27	179.44	170.03
9	Percentage of return on Capital employed	8.96	8.92	8.59

6. Karnataka State Warehousing Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06
1	**Income:**			
	a) Warehousing charges	24.65	17.26	22.01
	b) Other income	1.69	5.20	5.84
	Total (1)	**26.34**	**22.46**	**27.85**
2	**Expenses:**			
	a) Establishment charges	6.13	5.93	9.05
	b) Other expenses	17.69	12.44	13.93
	Total (2)	**23.82**	**18.37**	**22.98**
3	Profit before tax	2.52	4.09	4.87
4	Provision for tax	-	1.61	2.45
5	Amount available for dividend	2.52	2.48	2.42
6	Dividend for the year	0.26	0.25	0.48
7	Total return on Capital employed	6.57	6.17	6.43
8	Percentage of return on Capital employed	7.10	2.77	2.86

ANNEXURE 6
(Referred to in paragraph 1.12)

Statement showing operational performance of Statutory corporations.

Working Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

Particulars	2003-04	2004-05	2005-06
Average number of vehicles held	4396	4567	5196
Average number of vehicles on road	4189	4347	4863
Percentage of utilisation of vehicles	95.3	95.2	93.6
Number of employees	23626	24989	24866
Employees vehicle ratio	5.37	5.47	4.78
Number of routes operated at the end of the year	4501	4608	4811
Route kilometres	380964	398380	407003
Kilometres covered (in lakh) – Own buses only			
a) Gross	5428.04	5608.62	6283.85
b) Effective	5276.00	5445.90	6072.55
c) Dead	152.04	162.72	211.30
Percentage of dead kms. to gross kilometres	2.80	3.00	3.50
Average kilometres covered per bus per day	367	367	342
Average operating revenue per kilometre (in paise)	1406.80	1541.30	1698.50
Increase in operating revenue per kilometre over previous year's income	45.40	134.50	157.20
(per cent)	(3.33)	(9.56)	(10.20)
Average expenditure per kilometre (paise)	1360.80	1495.50	1641.80
Increase in operating expenditure per kilometre over previous year's expenditure	60.40	134.70	146.30
(per cent)	(4.64)	(9.90)	(9.78)
Profit/Loss per kilometre (paise)	46.00	45.80	56.70
Number of operating depots	49	50	57
Average number of breakdowns per lakh kilometres	0.5	0.5	0.6
Average number of accidents per lakh kilometres	0.16	0.17	0.18
Passenger kilometres operated (in crore)	2169.31	2291.25	2411.89
Occupancy ratio	69.7	70.7	68.6
Kilometres obtained per litre of :			
Diesel oil	5.08	5.38	5.13
Engine oil	4128	6678	NA

NA=Not available

2. Bangalore Metropolitan Transport Corporation, Bangalore

Particulars	2003-04	2004-05	2005-06
Average number of vehicles held	2515	3048	3468
Average number of vehicles on road	2409	2863	3293
Percentage of utilisation of vehicles	95.80	93.90	95.00
Number of employees	15615	17759	19019
Employees vehicle ratio	6.21	5.60	5.40
Number of routes operated at the end of the year	1523	1690	1726
Route Kilometres	31821	35371	37335
Kilometres operated (in lakh) – Own buses only			
a) Gross	2075	2484	2883
b) Effective	2022	2400	2755
c) Dead	53	84	128
Percentage of dead kms. to gross kilometres	2.60	3.38	4.40
Average Kilometres covered per bus per day	229	230	229
Average operating revenue per kilometre (in paise)	1869.67	1924.31	2223.60
Increase in operating revenue per kilometre over previous year's income	184.76	54.64	299.29
(per cent)	(10.97)	(2.92)	(15.55)
Average expenditure per kilometre (paise)	1561.50	1655.22	1860.43
Increase in operating expenditure per kilometre over previous year's expenditure	1.37	93.72	205.21
(per cent)	(0.09)	(6.00)	(12.40)
Profit/Loss per kilometre (paise)	308.17	269.09	363.17
Number of operating depots	24	24	25
Average number of breakdowns per lakh kilometres	1.20	1.20	1.20
Average number of accidents per lakh kilometres	0.23	0.18	0.16
Passenger kilometres operated (in crore)	893	1275	1338
Occupancy ratio	69.00	67.00	64.00
Kilometres obtained per litre of:			
Diesel oil	4.76	4.74	4.66
Engine oil	1099.00	1258.70	1329.30

3. North Western Karnataka Road Transport Corporation, Hubli

Particulars	2003-04	2004-05	2005-06 (provisional)
Average number of vehicles held	3590	3290	3551
Average number of vehicles on road	3415	3151	3387
Percentage of utilisation of vehicles	95.10	95.30	95.40
Number of employees	21330	20507	20527
Employees vehicle ratio	5.94	5.55	5.78
Number of routes operated at the end of the year	5523	5594	5797
Route kilometres	433228	440922	497395
Kilometres operated (in lakh) - Own buses only			
a) Gross	4433.56	3869.70	4031.55
b) Effective	4361.41	3794.62	3951.91
c) Dead	72.15	75.08	79.64
Percentage of dead kms. to gross kilometres	1.63	1.94	1.98
Average kilometres covered per bus per day	349.00	330.00	320.00
Average operating revenue per kilometre (in paise)	1269.20	1326.07	1362.30
Increase in operating revenue per kilometre over previous year's income	6.90	56.87	36.23
(per cent)	(0.55)	(4.48)	(2.73)
Average expenditure per kilometre (paise)	1290.20	1463.54	1626.80
Increase in operating expenditure per kilometre over previous year's expenditure	55.70	173.34	163.26
(per cent)	(4.51)	(13.44)	(11.15)
Profit/Loss per kilometre (paise)	(-) 21.00	(-) 137.47	(-) 264.50
Number of operating depots	48	48	49
Average number of breakdowns per lakh kilometres	1.0	1.20	1.40
Average number of accidents per lakh kilometres	0.14	0.15	0.15
Passenger kilometres operated (in crore)	1948.31	1687.93	1828.34
Occupancy ratio	74.50	74.40	90.70
Kilometres obtained per litre of:			
Diesel oil	5.35	5.36	5.25
Engine oil	1024.20	1036.00	1228.00

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

Particulars	2003-04	2004-05	2005-06 (provisional)
Average number of vehicles held	1934	2386	2435
Average number of vehicles on road	1818	2291	2327
Percentage of utilisation of vehicles	94.00	96.00	95.50
Number of employees	10943	10410	10880
Employees vehicle ratio	5.66	4.36	4.47
Number of routes operated at the end of the year	2532	2888	3033
Route Kilometres	226605	235544	245485
Kilometres operated (in lakh) – Own buses only			
a) Gross	2052	1759	1912
b) Effective	2007	1718	1863
c) Dead	45	41	49
Percentage of dead kms. to gross kilometres	2.19	2.40	2.60
Average kilometres covered per bus per day	321.00	316	317
Average operating revenue per kilometre (paise)	1161.90	1230.10	1362.90
Increase in operating revenue per kilometre over previous year's income	27.30	68.20	132.80
(per cent)	(2.41)	(5.87)	(10.80)
Average expenditure per kilometre (paise)	1274.60	1384.70	1567.60
Increase in operating expenditure per kilometre over previous year's expenditure	25.00	110.10	182.90
(per cent)	(2.00)	(8.64)	(13.21)
Profit/Loss per kilometre (paise)	(-) 112.70	(-) 154.60	(-) 204.70
Number of operating depots	28	29	29
Average number of breakdowns per lakh kilometres	2.20	2.20	2.20
Average number of accidents per lakh kilometres	0.12	0.14	0.14
Passenger kilometres operated (in crore)	946.03	1000.46	891.39
Occupancy ratio	70.00	72.80	61.20
Kilometres obtained per litre of:			
Diesel oil	5.38	5.44	5.44
Engine oil	3817	1109	1194

5. Karnataka State Financial Corporation, Bangalore

(Rupees in crore)

Particulars	2003-04		2004-05		2005-06 (provisional)	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	47	15.89	62	37.68	62	24.77
Applications received	1382	392.55	1319	391.01	1188	479.35
Total	**1429**	**408.44**	**1381**	**428.30**	**1250**	**504.12**
Applications sanctioned	1307	299.69	1242.00	241.75	1161	316.20
Applications cancelled/ withdrawn/rejected/reduced	60	71.05	77	162.19	61	34.12
Applications pending at the close of the year	62	37.70	62	24.75	28	39.01
Loans disbursed	1126	242.86	992	239.83	-	199.86
Loan outstanding at the close of the year	-	1576.75	-	1455.74	-	NA
Amount overdue for recovery at the close of the year :						
a) Principal	-	718.54	-	630.16		NA
b) Interest	-	1980.47	-	2300.52		NA
Total	-	**2699.01**	-	**2930.68**	-	**2573.03**
Amount involved in recovery certificate cases	-	858.24	-	1025.19	-	1256.49
Percentage of overdue to the total loans outstanding	-	45.57	-	43.29	-	NA

NA – not available

6. Karnataka State Warehousing Corporation, Bangalore

Particulars	2003-04	2004-05	2005-06
Number of stations covered	113	116	116
Storage capacity created up to the end of the year (tonne in lakh)			
a) Owned	4.05	4.76	4.98
b) Hired	2.42	2.35	4.07
Total	**6.47**	**7.11**	**9.05**
Average capacity utilised during the year (tonne in lakh)	4.35	4.54	6.40
Percentage of utilisation	65.50	63.90	74.80
Average revenue per tonne per year (Rupees)	566.67	494.71	435.16
Average expenses per tonne per year (Rupees)	546.21	404.63	359.06

ANNEXURE 7

(Referred to in paragraph 1.29)

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts.

(Rupees in crore)

Sl. No	Name of the Company	Status (working/ non-working)	Year of accounts	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ loss (-)	Accumulated profit (+)/accumulated loss (-)
					State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies		
1	Karnataka State Seeds Corporation Limited	Working	2004-05	3.24	1.35 (41.67 *per cent*)	--	0.62 (19.14 *per cent*)	0.68	--	--	1.34	--	6.85	3.37	--	7.47	0.57	4.72
2	Karnataka Asset Management Company Private Limited	Working	2005-06	0.50	--	0.50 (100 *per cent*)	--	--	--	--	--	--	--	--	0.50	--	0.06	0.30
3	Karnataka Trustee Company Private Limited	Working	2005-06	0.01	--	0.01 (100 *per cent*)	--	--	--	--	--	--	--	--	0.01	--	[a]	[b]
4	Food Karnataka Limited	Working	2005-06	0.10	0.05 (50 *per cent*)	--	--	--	--	--	--	--	--	0.05 (equity) 9.50 (grants)	--	--	0.18	0.21

[a] **Profit for the year - Rs.3,155**
[b] **Accumulated profit – Rs.23,961**

ANNEXURE 8

(Referred to in paragraphs 2.1.7, 2.1.11 and 2.1.14)

Details of major Purchase orders reviewed (Project wise) in respect of Visveswaraya Vidyuth Nigama Limited.

(Amount : Rupees in lakh)

Purchase order No. and date	Particulars of the work	Name of the firm	Original contract price	Revised contract price	Scheduled date of commission	Actual date of supply/commission
MGHE						
11194 dtd 29.08.1998	Supply of hydraulic equipments	VA Tech	2247.00	-	February 2001	February 2001
11195 dtd 29.08.1998	Erection and commissioning of hydraulic equipments	VA Tech	192.93	202.39	February 2001	February 2001 to October 2002 (different units)
10889 dtd 31.03.1997	Rewinding of 12MW and 18MW generators	Aruna Electrical Works	378.75	-	March 2001	March 2001
10868 dtd 9.4.1997	Supply and erection of static excitation system	BHEL	378.71	-	March 2001	March 2001
11394 dtd 12.08.1999	Supply of circuit breaker , CT's and CR panels	ABB Limited	325.58	339.61	May 2000	March 2000 (supply); May 2001 to October 2002
11395 dtd 12.08.1999	Labour for installation of CT,circuit breaker and CR panel	ABB Limited	19.63	21.07	October 2002	October 2002
10856	Refurbishment of river sluice gates and power channel gates	Tungabhadra Steels limited	13.45	61.34	April 1998	January 2000
NA	Penstocks	Shridhan International	43.93	Due to the accident at the penstock, the work was completed in August 2003 as against the completion date of January 2001.		
	TOTAL		**3672.80**			
Shivasamudram						
11420 dtd 21.10.1999	Dismantling, refurbishment, erection, testing and commissioning of hydraulic equipment	VA Tech	387.27	428.84	April 2002	October 2004
11419 dtd 21.10.1999	Design, manufacture, testing and supply of hydraulic equipments	VA Tech	1251.48	1772.20	April 2002	October 2004
11424 dtd 23.10.1999	Erection, testing and commissioning of generators	CG Elin Power systems	270.89	-	April 2002	October 2004
11423 dated 23.10.1999	Design, Manufacture and supply of Generators	CG Elin Power Systems	1555.14	-	April 2002	October 2004
VVNL/03 dtd 11.10.2000	Remodeling of components works of Shiva Project complex	Bhageerath Enginners Limited	1398.42	-	May 2001	March 2002
VVNL/15 dtd 28.03.2001	Supply of all equipments for 11/66kv station	ABB Limited	667.83	720.86	March 2002	June 2002
VVNL/16 dtd 28.03.2001	Erection of equipments of establishing 11/66kv station	ABB Limited	21.62	-	March 2002	June 2002
VVNL/21 dtd 25.04.2001	Replacement of existing penstocks by new penstocks	Srinivasa Engineering works	664.00	804.40	October 2002	Not available
	TOTAL		**6972.37**			
Munirabad						
VVNL/08 dtd 29.12.2000	Supply of all equipments	VA Tech	188.11	-	July 2001	October 2002
VVNL/09 dtd 29.12.2000	Dismantling, erection, testing and commissioning	VA Tech	151.84	-	July 2001	October 2002
	TOTAL		**339.95**			

NA=Not available

ANNEXURE 9
(Referred to in paragraph 4.24)
Statement showing the company wise persistent non-compliance to Accounting Standards(AS) for the years 2001-02 to 2004-05.

Sl. No.		Accounting Standards not complied with during														
		AS1	AS2	AS3	AS5	AS6	AS9	AS10	AS11	AS12	AS13	AS15	AS16	AS17	AS19	AS22
	Working Government companies															
1	The Karnataka Fisheries Development Corporation Limited											2001-02 to 2004-05				
2	Karnataka Compost Development Corporation Limited									2001-02 to 2004-05						
3	Karnataka State Coir Development Corporation Limited	-										2002-03 to 2004-05				2003-04 and 2004-05
4	The Mysore Electrical Industries Limited											2001-02 to 2004-05				
5	Karnataka Silk Industries Corporation Limited															2002-03 to 2004-05
6	The Karnataka Handloom Development Corporation Limited			2003-04 and 2004-05						2003-04 and 2004-05				2001-02 to 2004-05		
7	Karnataka Cashew Development Corporation Limited	2001-02 to 2004-05														
8	Karnataka Forest Development Corporation Limited					2002-03 and 2004-05				2001-02 to 2004-05						
9	The Karnataka State Forest Industries Corporation Limited										2001-02 to 2004-05	2001-02 to 2004-05				
10	Mysore Minerals Limited											2001-02 to 2004-05				
11	Karnataka State Construction Corporation Limited	2002-03 to 2004-05			2002-03 and 2004-05		2001-02 to 2004-05									
12	Karnataka State Police Housing Corporation Limited		2001-02 to 2004-05			2001-02 to 2004-05		2001-02 to 2004-05								
13	Karnataka Road Development Corporation Limited															2002-03 to 2004-05

Sl. No.		Accounting Standards not complied with during														
		AS1	AS2	AS3	AS5	AS6	AS9	AS10	AS11	AS12	AS13	AS15	AS16	AS17	AS19	AS22
14	Krishna Bhagya Jala Nigam Limited		2001-02 to 2004-05													
15	Karnataka Neeravari Nigam Limited							2001-02 to 2004-05								
16	D.Devaraj Urs Backward Classes Development Corporation Limited						2001-02 to 2004-05			2001-02 to 2004-05						
17	Dr.B.R.Ambedkar Development Corporation Limited						2001-02 to 2004-05									
18	Karnataka Minorities Development Corporation Limited	2001-02 to 2004-05								2001-02 to 2004-05						
19	The Mysore Sugar Company Limited											2001-02 to 2004-05				
20	Karnataka State Tourism Development Corporation Limited	2001-02 to 2004-05	2001-02 to 2004-05												2001-02 to 2004-05	2003-04 and 2004-05
21	Jungle Lodges and Resorts Limited					2001-02 to 2004-05						2001-02 to 2004-05				
22	The Mysore Paints and Varnish Limited		2002-03 to 2004-05													
23	Karnataka Power Corporation Limited	2001-02 to 2004-05						2002-03 to 2004-05								
24	Visvesvaraya Vidyut Nigama Limited		2002-03 to2004-05			2002-03 to2004-05		2002-03 to 2004-05				2003-04 and 2004-05				
25	Karnataka Power Transmission Corporation Limited			2002-03 to 2004-05						2001-02 to 2004-05						
26	Bangalore Electricity Supply Company Limited		2002-03 to 2004-05			2002-03 to 2004-05		2002-03 to 2004-05				2002-03 to 2004-05	2002-03 to 2004-05			2002-03 to 2004-05
27	Hubli Electricity Supply Company Limited		2002-03 to 2004-05					2002-03 to 2004-05		2002-03 to 2004-05			2002-03 to 2004-05			
28	Mangalore Electricity Supply Company Limited		2002-03 to 2004-05			2002-03 to 2004-05		2002-03 to 2004-05					2002-03 to 2004-05			
29	Gulbarga Electricity Supply Company Limited		2002-03 to 2004-05					2002-03 to 2004-05		2002-03 to 2004-05		2002-03 to 2004-05	2002-03 to 2004-05			

Sl. No.		Accounting Standards not complied with during														
		AS1	AS2	AS3	AS5	AS6	AS9	AS10	AS11	AS12	AS13	AS15	AS16	AS17	AS19	AS22
30	Karnataka State Industrial Investment and Development Corporation Limited							2001-02 to 2004-05								
31	Sree Kanteerava Studios Limited											2001-02 to 2004-05				
Non-working Government companies																
32	Karnataka Agro Industries Corporation Limited		2002-03 and 2003-04		2001-02 to 2003-04						2002-03 and 2003-04				2002-03 and 2003-04	2002-03 and 2003-04
33	Karnataka State Small Industries Marketing Corporation Limited						2001-02 to 2004-05									
34	The Mysore Lamp Works Limited	2001-02 to 2004-05										2001-02 to 2004-05				
35	Karnataka Telecom Limited	2002-03 and 2003-04							2002-03 and 2003-04							
36	Karnataka Pulpwood Limited	2001-02 to 2004-05														
Deemed Government company																
37	Karnataka State Seeds Corporation Limited	2001-02 to 2004-05										2002-03 to 2004-05				

ANNEXURE 10
(Referred to in paragraph 4.26)

Statement showing the department-wise outstanding Inspection Reports (IRs).

Sl. No	Name of the Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Year from which outstanding
1	Agriculture and Horticulture	6	11	58	1999-2000
2	Animal Husbandry, Fisheries and Forest	4	14	94	1997-1998
3	Commerce and Industries	32	70	420	1994-1995
4	Co-operation	1	2	4	1998-1999
5	Energy and Labour	7	251	1054	1993-1994
6	Finance	3	8	103	1998-1999
7	Food and Civil Supplies, Institutional Finance and Statistical Department	1	2	7	2000-2001
8	Home and Transport	5	60	164	1999-2000
9	Housing	1	2	14	2002-2003
10	Urban	2	4	21	1998-1999
11	Information, Tourism and Youth Services	4	10	21	1996-1997
12	Water Resources	3	549	1587	1980-1981
13	Public Works	2	5	28	1999-2000
14	Rural Development and Panchayat Raj	1	4	29	1999-2000
15	Social Welfare	4	11	57	1997-1998
16	Information Technology	1	3	20	1999-2000
	TOTAL	**77**	**1006**	**3681**	

ANNEXURE 11
(Referred to in paragraph 4.26)

Statement showing the department-wise draft paragraphs/reviews reply to which are awaited.

Sl. No	Name of the Department	No. of Draft Paragraphs	No of reviews	Period of issue
1	Energy	2	-	March 2006 to April 2006
2	Water Resources	3	-	March 2006 to June 2006
3	Co-operation	1	-	June 2006
4	Public works	1	-	March 2006
5	Commerce and Industries	7	1	March 2006 to August 2006
6	Information, Tourism & Youth Services	1	-	June 2006
7	Department of Public enterprises	1	-	June 2006
	TOTAL	**16**	**1**	